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**ECONOMIC AFFAIRS**

**No. 339**

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# CHINA REPORT

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## NATIONAL POLICY AND ISSUES

### BO YIBO, XUE MUQIAO ON IMPORTANCE OF STATISTICS

Bo Yibo

Beijing TONGJI /STATISTICS/ in Chinese No 2, 17 Feb 83 pp 1-3

/Article by Bo Yibo /5631 0001 3134/: "Initiate a New Phase, Statistics Must Be Strengthened:"

/Text/ Statistics is an important science, the foundation for formulating national economic planning. Comrade /Zhao/ Ziyang has recently stated that without statistics, there is no planning. What he said is very correct, a remark made from our country's experience in planning and statistical work over the past 30 years. If, in engaging in planning and economic construction, one abandons statistics, which is scientific and able to accurately reflect economic activity, then one will lose direction and not know where to begin. Statistical work is most certainly not more addition and subtraction. It is work greatly involved with ideology and political policy, and something which cannot be lacking or ignored in our whole socialist construction. At present, our country has already entered a new era of development. Together with the great task of creating an overall new situation in our socialist modernization is the requirement that economic work, including statistical work, be done with more and more detail and precision. Thus, the position and function of statistics must be strengthened. The responsibility of statistics departments and the whole body of statistics also takes on greater importance.

The CPC Central Committee has recently issued documents relating to reform in organizations at the provincial, municipal and autonomous region levels. The documents clearly pointed out that among the departments which must be greatly strengthened and improved upon in the future, the Statistical Supervision Department was given special mention. The spirit of the documents indicates that Statistics Department organizations at various levels not only must not be weakened, but must be greatly strengthened. The purpose of strengthening statistical organizations is to want to further establish a new workstyle with a realistic approach to statistical work, raise the effectiveness and accuracy of statistical work, raise the level of comprehensive analysis, and initiate a new phase in statistical work which will allow it to adapt to the needs of new developing circumstances. This then requires that statistical departments and the whole body of statisticians continuously improve upon their own work. In this regard I wish to raise several points to discuss with my comrades:

1. The statistical system and method must be reformed. Our statistical system and method must meet the objective requirement of national economic development and suit the reforms of the national economic system to improve them day by day. Firstly, this means to establish as soon as possible a statistical index system. It must reflect developmental trends and economic benefits. At present raising economic benefits is the central requirement of economic construction and the important principle in formulating planning. Statistical report forms must report on quantities, and should even more so report the benefits. But at present not enough attention is paid to the latter. For instance, although certain products "completed or exceeded their national planning quota," they became overstocked due to inferior quality or high price or were produced in excess of market demand. There have been relatively few reports in regard to similar situations. This should be improved upon. Secondly, great effort should be made to improve agricultural statistics. Following the Third Plenum of the 11th Party Central Committee, a system of production responsibility with diversified forms was promoted. Economic development in rural villages underwent a huge change. This is an important event that concerns 800 million peasants and all the people in the country. Statistical work must keep pace with this situation. If one observes that some parts of the old method of statistical accounting are already unable to suit the new altered circumstances, then one must stress researching and adopting new methods. Of course, one must pay attention to the changes in other departments as well and alter statistical work in these respects accordingly. Thirdly, one must research and adopt different methods of investigation. In collecting statistical data, some must use comprehensive reports. For others which usually have large-scale economic activities, random sampling investigations, representative investigations and focal point investigations should be relied upon. More time and effort should be expended on these aspects. Where there is creation, there is progress.

2. Research in comprehensive analysis must be strengthened. Statistics departments must collect detailed statistical data and carry out analytical research on them, and discover new circumstances and new questions from the data. The statistics departments must also aid planning and other organizations to carry out economic predictions that have a basis in fact in order to guide practice. In regard to questions of comprehensiveness, such as the relationship between achieving quadrupling and raising economic benefits, the relationship between consolidating the scale of capital investment and national strength, the proportional relationship between agriculture, light and heavy industry, the relationship between consolidating key points in construction within capital investments and technological innovations, the proportional relationship between surplus accumulation and consumption within national income, as well as the proportional relationship between allocations for the state, collective and individual, etc., then statistical data ought to be used as soon as possible to carry out comprehensive analysis and provide the required basis for policy decisions by leadership organizations.

3. Economic information must be reported sensitively. For a long time we have failed to attach sufficient importance to this work. The statistics department is an important organization for economic intelligence. Since it

must have comprehensive data, it also must keep abreast of and understand economic trends in time. This not only demands that statisticians handle statistical reports well, but that they get out of the office and down to the grass roots level, to the masses, and to where policy is put into practice to carry out investigation and research. They must excel at discovering new circumstances and new problems, and periodically report new and accurate economic information to every level of leadership organization to better carry out their function as the leadership's "eyes and ears."

4. The workstyle of seeking truth from facts must be strictly upheld and professional skills must be raised. Statisticians must certainly possess a higher level of political thought, and in everything start out from practice and return to practice in the end. In all situations they must uphold the objectivity of the statistics, and report strictly according to facts the features of objective affairs in their true light. When the subjective desires of the leadership come into contradiction with objective, accurate statistics, the former must as a matter of course yield to the latter. It must never be that the latter has to submit to the former. In order to carry out this point, one must uphold party spirit, honor science, and strictly avoid empty boasting and exaggeration. One must strive to master theory, strive to master specialized knowledge of economics and statistics, as well as understand the utilization of electronic computers. This requires that new and old cadre statisticians continuously utilize progressive thinking and scientific knowledge to arm themselves and creatively and effectively implement their work.

We are already into 1983. Within this first year of comprehensively initiating a new phase in socialist modernization, we hope that the vast ranks of statisticians add to their achievements, overcome difficulties, proceed forward with a new stride and make a new contribution.

Xue Muqiao

Beihing TONGJI /STATISTICS/ in Chinese No 2, 17 Feb 83 pp 2-3

/Article by Xue Muqiao: "Further Improve Our Statistical Work"/

/Text/ The publication of "Almanac of China's Statistics" received good reviews from economists at home and abroad and persons in the economic field. Our country's statisticians, who number some 10,000 persons, have overcome difficulties in statistical work created by 10 years of chaos from the "Great Cultural Revolution," and have been able to show publicly to the world the great accomplishments in socialist economic construction of our country since the founding of New China. In this way it is possible for everyone to thoroughly understand economic conditions in our country, as well as become closely involved with research according to concrete conditions on the lessons experienced over the past 30 years and the concrete routes economic construction will take from now on. The significance of its publication is therefore very great.

The Third Plenum of the 11th Party Central Committee directed the main strength of the whole nation and the whole people in the future to concentrate

on socialist modernization. Especially since the convening of the 12th National Party Congress and the 5th Session of the 5th National People's Congress, the path towards socialist modernization in the future has been pointed out very clearly. All statisticians in our country have deeply felt that their individual responsibility in this modernization effort is very great. Since the Third Plenum of the 11th Party Central Committee, the whole national economic construction has been realistic and practical with everything proceeding from practice. As our country proceeds along its own route and under the direction of a new compass, we appear invigorated. New circumstances and new problems appear continuously and demand that statistical organizations provide accurate figures in time in response to them. At the same time the new circumstances in the national economy will also bring along new problems and difficulties for our statistical work. All the statisticians in our country must continuously pay attention to the changes in actual conditions, use their brains, and raise their work level to ensure that our statistical work is able to keep up with the needs of initiating a new overall situation in socialist modernization.

In the 30 years since New China has been established, our country's statistical accounting work has basically been built on the foundation of manual labor. Thus there exists a contradiction between our economic construction needing accurate, comprehensive statistical data provided in time and our subjective capability not being able to completely fulfill this kind of need. In recent years we have begun to use electronic computers which has enabled statistical work to proceed from manual labor to mechanization. We already have the potential to promptly provide accurate, comprehensive statistical data. But to turn potentiality into reality still requires passing through a difficult time of learning and implementing a great deal of work. We not only need to learn how to use electronic computers, more importantly electronic computers can digest tens of millions times the amount of data than can be processed by hand. In order to fully utilize the electronic computer's function, we must be able to timely provide data. This requires us to greatly strengthen our accounting and statistical work at the grassroots level. And even more importantly, this data must be accurate. Entering inaccurate figures will certainly not make it possible to produce accurate statistical data. Renowned mathematician Hua Lokang [5478 5012 1660] has said that calculators cannot substitute for lie detectors. This line is a great inspiration for us. Restructuring grassroots level accounting and statistical work is even more difficult than constructing a computer center. If raw data is not entered in sufficient amounts and if the quality is not good it will be impossible to rely on the mechanics of modernization to produce abundant high quality goods.

Secondly, in the past our economic management system in production was, for the municipalities, ownership by the whole people (a large collective in actuality is also a small portion of the whole people), and for rural villages ownership by the collective. It is said that "in the three-tier ownership by the commune, the production brigade and the production team, the production team is the basic accounting unit." They labor and distribute the benefits together. Therefore as long as the statistical reports from



state enterprises and production teams of rural people's communes are under control, then statistical data from the whole country are basically under control. At present, with the desire to effect the state-run economy as the leading factor, develop diversified economic forms and diversified management methods, in the cities collective ownership with the enterprise assuming sole responsibility for profits or losses has been developed. In the rural villages linking planned output with remuneration, assigning production contracts and quotas for each household, family management and various other specialized households have appeared. In regard to circulation, in the past the cities' state-operated commercial enterprises were the exclusive business operations. In the rural villages supply and marketing cooperatives were the exclusive business operations. The means of production were uniformly distributed by the Supply Department. Foreign trade was uniformly managed by the Foreign Trade Department. Collecting statistical data was relatively simple. But now there will be an increase in channels of circulation, and a decrease in circulation links of the chain. Many different types of methods of exchange have appeared, such as a manufacturer establishing contacts and marketing its own merchandise. Under these kinds of complicated conditions, collecting statistical data cannot entirely depend upon statistical reports as in the past. In addition to the original statistical reports, many other methods must be adopted to collect dispersed statistical data. This problem deserves our serious study and our painstaking creation of a new method of statistical investigation. In this regard, certain statistical methods from capitalist countries may provide a reference for us.

Finally, we must continue to strengthen analytical research on statistical data. Because for many years we did not make statistical figures public, some economists and economic personnel do not know how to handle statistical data. In addition to that, the specifications of statistical data are very complex. Even a person such as myself who is as somewhat familiar with statistical methods can at times make mistakes when using statistical data to conduct analytical research. Thus for at least the near future, the responsibility for conducting analytical research with the statistical data will at first fall on the shoulders of statisticians and personnel in statistics organizations. The central authorities of the state have proposed a central goal of raising economic benefits to balance and improve every aspect of economic work. How to calculate economic benefits is a very complex question. It requires utilizing statistical data from many sides in order to make a comprehensive study. Economic benefits are not only studied from the point of view of microeconomics (economics of basic enterprises) which serves as statistical organizations, but more importantly one must study them from the point of view of macroeconomics. Economic benefits often seem very high when looking at one enterprise, but looking at them from the point of view of the whole national economy, the economic benefits may be quite low or even a waste of resources. Economics benefits require that we not only research the present, but at the same time we have to look at the distant future. Some appear to be beneficial for a time but over the long run may be detrimental, or do more harm than good.

Because our commodity prices at present have still not undergone a reasonable readjustment, and enterprise accounting systems are not good enough, even in

regard to statistical organizations, it is not an easy task to rely on statistical figures which they have at present to conduct research on economic benefits. Economic benefits are expressed in the proportion of capital investment and goods produced. Capital investment is the cost of the product. At present the cost of fuel and raw materials for many enterprises is subsidized by the state. In some respects wages for workers are low, but in actuality they rely on subsidies in commodity prices and housing rents to maintain their present standard of living. In another respect, many factories are overstaffed, which has meant that the factories have had to deal with affairs that the society should have been dealing with. These expenses all go into the cost of a product. Thus it is difficult for the figures which have been entered to be accurate. Output (output value) is greatly influenced by price. Many products have a high price and earn a lot of profit. Others have a low price and earn a small profit. This influences the accuracy of production figures. This way of calculating economic benefits cannot accurately reflect the true situation. Prior to reforming the system of commodity pricing and worker wages, it will be difficult for statistical work to be completely free of this problem. But we might as well try some sample study. At present the theory of commodity prices edited by the commodity pricing research center is nearing completion. We might as well have certain selected enterprises change to using this theory of commodity pricing to calculate economic benefits, and compare the results with those of pricing calculations used at present. This is only one method. There are certainly other methods as well.

From this aspect one can see that in order to guarantee the accuracy of statistical data and statistical analysis, we must further study reforming the system of commodity pricing and worker wages. Because this kind of reform involves a wide range of matters, we cannot act carelessly. But over the long range these questions must be resolved, or else enterprises will have no accurate economic accountability. We cannot use present-day accounting to measure the economic benefits of enterprises. At present concerned departments are in the process of studying reform of economic systems (including pricing and worker wages) in order to raise economic benefits. We hope that statistical organizations integrate related departments and adopt analytical research in order to provide figures for our reforms. Working together in earnest to concretely study how to realize the policy task which the central authorities and the State Council proposed, we can guarantee that the prodigious goal of quadrupling the total output value of industrial and agricultural enterprises can certainly be victoriously realized.

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## NATIONAL POLICY AND ISSUES

### LIU TIANFU'S REPORT TO PEOPLE'S CONGRESS

HK220834 Guangzhou NANFANG RIBAO in Chinese 12 Apr 83 pp 1-3

[Report to the first meeting of the Sixth Provincial People's Congress delivered by Liu Tianfu [0491 3944 1133] on 3 April 1983: "Speed up the Pace of Reform, take full advantage of the Province's Strong Points, and Strive to Overfulfill the Sixth 5-Year Plan in an All-round Way"--passages within slantlines published in boldface]

[Text] Fellow deputies:

Now, on behalf of the provincial people's government, I present a report on our province's economic work to the congress for examination and approval. This report is mainly on the implementation of the line, principles and policies laid down by the 3d Plenary Session of the 11th CPC Central Committee, the circumstances emerging after the enforcement of special policies and flexible measures, and the tasks and measures set forth in the Sixth 5-Year Plan concerning the national economy and social development in our province.

#### 1. Review of the Last Few Years' Work

Five years have past since the first session of the Fifth Provincial People's Congress held on 17 December 1977, and the Sixth 5-Year Plan began in the 4th year. The major tasks of the current congress are to officially examine this Sixth 5-Year Plan concerning the national economy and social development in our province; to elect deputies to the Sixth National People's Congress, the members of the new standing committee of the provincial people's congress, and the leading people of the government, court and procuratorate; and to organize the new government. Reviewing the government's work in the last few years, summing up our experiences and looking forward to our bright future on this occasion are necessary and beneficial to the implementation of the Sixth 5-Year Plan and to the building of a new situation in our province's socialist construction.

In the last 5 years, in particular in the last 4 years since the 3d Plenary Session of the 11th CPC Central Committee, our province, as well as the whole country, has straightened out our guiding ideology and practical work, thus bringing about the great change of historical significance. Under the leadership of the CPC central authorities, the State Council and the Guangdong Provincial CPC Committee, we have upheld the four basic principles, cleared the

influence of the "leftist" mistakes in the economic field, conscientiously carried out the principle of readjusting, restructuring, reorganizing and upgrading the national economy, and adhered to the policy of opening the door to the outside world and enlivening the economy at home. As a result, the overall economic situation has been better year after year. In July 1979, the CPC central authorities and the State Council approved the adoption of special policies and flexible measures in Guangdong and Fujian provinces. This decision added strong motive force to the economic development in our province. Thanks to the joint effort of the people of all nationalities in our province, the national economy underwent a series of radical changes from 1979 through 1982.

The principal hallmarks of these radical changes are as follows:

The growth rate of industry and agriculture in the last 4 years enabled the province to cast off its status as the province with a speed of development lower than the nationwide average level in the 14 years prior to 1978. The total industrial and agricultural output value increased by 8.5 percent, of which the agricultural output value increased by 8.2 percent and the industrial output value increased by 8.6 percent, both higher than the nationwide average growth in the same period.

The economic readjustment in the last 4 years has preliminarily changed the severe imbalance in the national economy. The proportional relationship between agriculture, light industry and heavy industry, and the internal relations between different sectors of industry and agriculture, have been favorably re-adjusted. Agriculture has witnessed an overall development. The total agricultural output value increased by more than 3.85 billion yuan, while the proportion of the output value derived from forestry, animal husbandry, sideline production and fishery to the total agricultural output value increased from 37.8 percent in the year 1978 to 44 percent in the year 1982. The total income of commune- and brigade-run enterprises in rural areas was doubled. The total industrial output value increased by more than 7.66 billion yuan; while the proportion of the output value of light industry to the total industrial output value increased from 57.5 percent in 1978 to 64.6 percent in 1982. The development of light industry has been speeded up. In the meantime, heavy industry has been more rationally oriented, maintaining a fairly high growth rate. The proportional relationship between accumulation and consumption has been adjusted accordingly.

In the last 4 years, we have made progress in foreign trade in the course of readjustment. With a doubled export volume, foreign trade earned for the country a cumulative sum of foreign exchange totalling \$4.5 billion, which was equivalent to more than 200 percent of that earned in the 4 years prior to 1978. In the last 4 years, the province signed more than 21,000 contracts, which enabled it to make use of foreign capital. So far, funds totalling more than \$800 million have been available for use. External communications and transportation and tourist facilities have also witnessed relatively remarkable development.

In the last 4 years, the province's financial revenues and expenditure were basically kept balanced. After the province's contracted financial revenue base was fixed in 1979, the province's financial revenues increased by 7.6



percent each year on average. Apart from fulfilling the contracted task of handing over profits, the province also provided a sum of more than 718 million yuan as revenues handed over or loan accommodated to the state in addition to the contracted base. There was a relatively great increase in the investment in fixed assets of the province; while the investment proportion was adjusted and the investment returns were improved. With the investment in the energy industry and transport facilities guaranteed, investment was doubled in such fields as light industry, commerce, culture and education, public health, urban construction and so on, which have an important bearing on the improvement of social livelihood.

The urban and rural market has been becoming brisker and brisker, the social purchasing power has increased by a wide margin and the people's livelihood has been improved step by step. In the last 4 years, the retail volume of consumer goods increased by 18.1 percent each year on average. Such a prosperous scene in the market has seldom been seen since the founding of the PRC. The income of the urban and rural people has increased remarkably. The average annual salary in cash of staff and workers in the province (including bonuses and allowances) increased by nearly 50 percent, and the peasants' net income per capita increased by over 90 percent in 1982 over 1978. Some 1,704,000 people in urban and rural areas got their jobs by arrangement. The housing area increased by 20.82 million square meters. The savings deposits balance in urban and rural areas increased by 4.32 billion yuan. The masses are enjoying a rich and colorful cultural life, as those popular traditional folk recreational activities have been revived and there were also new achievements in the development of sports and physical culture.

The emergence of a more and more encouraging economic situation in the last few years was closely related to the strengthening of socialist spiritual civilization and socialist democracy and the legal system, as well as to our efforts in steadfastly dealing blows at serious criminal activities in the economic and other fields. A widespread drive placing emphasis on "five stresses and four beauties" has been launched throughout the province, advanced individuals upholding the lofty communist ideal have been emerging one after another, and a new general mood of society is taking shape. Through an overall consolidation, social order has been noticeably improved in various places. This has helped to effectively safeguard the socialist economic system and push ahead with modernization. And this achievement, which owed much to the support and efforts by the PLA commanders and fighters and the people's police forces stationed in our province, was the fruits of the unity among and joint efforts of the army and the people throughout the province.

The above changes show that we have achieved initial success in giving full play to the economic superiority of our province, the livelihood of the masses of people has been improved after a rehabilitation of the economy, and our province's national economy has got onto the right track of steady development. This is the sound basis for the realization of the Sixth 5-Year Plan and the opening up of a new situation in socialist construction.

Fellow deputies:

The great success which we have scored in the last few years was the fruits of implementation of the line and principles laid down by the 3d Plenary Session of the 11th CPC Central Committee, as well as the result of the enforcement of our special policies and flexible measures.

The adoption of special policies and flexible measures in Guangdong and Fujian Provinces was a strategic decision made by the state in light of the actual situation of the two provinces and based on the general guideline of opening the door to the outside world and enlivening the economy at home. It is a real step toward carrying out the line and principles laid down by the Third Plenary Session and a specific practice on the road of reform which will lead to the emergence of a socialism with Chinese features. The guiding idea of this decision aimed at giving full play to the economic vitality of various aspects at all levels by putting the reform in economic administrative system on trial. In other words, in light of the situation that the state is unable to provide local units with more financial and material resources, a relaxed policy is to be adopted so that a province, granted greater decision-making power, can take the initiative in promoting the economy by enforcing the reform in the economic administrative system, giving full play to its strong points and getting rid of its shortcomings based on the local conditions. The major content of this decision is, firstly, to properly expand the decision-making power of these two provinces, so that they can carry out the reform in the economic administrative system, and adopt more relaxed policies in enlivening the economy; secondly, to carry out a more liberal open-door policy toward the outside world and expand external trade and technological exchange in making full use of the special and favorable conditions of the two provinces; and, thirdly, to give a trial run the special economic zones.

In the last 4 years, in carrying out the line and principles set forth by the 3d Plenary Session of the 11th CPC Central Committee and enforcing special policies and flexible measures in accordance with the strategic decision made by the CPC central authorities and the State Council, our province has devoted efforts to the following aspects:

/1. Under the guidance of the principles, policies and centralized plan of the state, a province-oriented planning system was set up, the economic structure and the production development guideline have been adjusted, the superiority has been brought into full play, with strong points expanded, shortcomings avoided, and the materialization of key projects ensured./

In agriculture, while adopting relaxed policies and enforcing various forms of the system of contracted responsibilities with payment linked to output as a means to encourage the peasants to promote production, we have readjusted the guideline for agricultural development, broken down the conventions of "taking grain production as the key link," and formulated an agricultural production layout based on local conditions so as to give full play to the superiority and favorable conditions of the province. While signing contracts for grain production with prefectures, cities and counties, the provincial authorities have vigorously promoted a diversified economy, and encouraged the production of tropical and subtropical industrial crops as well as the production of agri-

cultural and sideline local products for export. The province reduced the growing area for winter wheat, sweet potato and low-yielding rice by a total of 11 million mu. By rational growing and field management, we have prepared the conditions for the overall agricultural development. In 1982, both the total output and the per unit area yields of grains, oil-bearing crops, sugar cane and some industrial crops exceeded the highest level recorded in history. In comparison with the year 1978, the total output of grains increased by 5024 million jin, that of peanuts increased by 5.47 million dan, that of sugar cane increased by more than 6 million tons (as predicted, the output of sugar will reach more than 1.4 million tons in the 1982-83 harvest season), and that of rubber increased by 39,700 tons. Before 1978, the province's population was 12 million, its grain ration was below the "safety line" (an annual ration of 350 jin per capita), and its income per capita was below 50 yuan. In 1982, 3.6 million people were still receiving a grain ration below the "safety line," but no one received an income per capita of less than 50 yuan. This was really a drastic change. In the past, Dongfang County on Hainan Island was a poor and underdeveloped county which survived on grain supplied by the state at the fixed marketing price, depended on the loans granted by the state for carrying on production, and maintained a living with relief funds. In 1978, with a grain ration per capita of 312 jin, and an income per capita of 34 yuan, this county was the poorest one in the province. In the last few years, while trying to increase the grain output, the county set forth the principle of "planting sugar cane in the southern part, oil-bearing crops in the northern part and tropical crops in the eastern part of the country" based on the local situation and in accordance with natural conditions. Industrial crops were planted on the land which is not suitable for grain planting, and the newly increased rubber-planting area exceeded the total rubber-planting area in the last 30 years. The production of peanuts, sugar cane, cows, sheep and pigs was increased. Now the county does not have to depend on the state for the supply of grain and no longer suffers losses in running industrial enterprises. The grain ration per capita of the county increased by 180 jin and the income distribution increased by 300 percent in 1982 over 1978. The masses said: By carrying out the all-round contract system, the situation has improved; by getting rich through hard work, we can get rid of poverty.

As with industry and capital construction, enjoying a relatively great decision-making power, we planned out capital construction projects and readjusted the industrial layout under a centralized leadership, by making use of funds of various sources including foreign capital, loans, and so on, in light of the actual situation of the province and with the stress put on those particularly weak sectors and those fields concerning production and daily life which urgently called for attention. In the past 4 years, the layout of energy industry and transportation was improved. The volume of investment in light industry and the textile industry increased by 179 percent over the total volume in the 4 previous years, and exceeded by far the total volume of investment in the 16 years prior to the "Great Cultural Revolution." The investment in the sugar refining industry increased by 160 percent. The productive capacity newly increased in the last 4 years included: a capacity to handle 23,230 tons of sugar cane per day, a capacity to spin more than 177,000 spindles per day, an installed power capacity of 725,000 kilowatts, power transformation and transmission [word indistinct] 6,400 kilometers, a coking capacity of 200,000 tons, and a volume of harbor freight traffic totaling 5.65 million tons. Also, the investment for renewal and transforming of equipment was markedly increased, and the

technical transformation in industry began to score results. In the field of capital construction, we tried to increase investment in housing, education and public facilities, thus raising the proportion of nonproductive investment from 19.1 percent in 1978 to 43.7 percent in 1982. We are now, step by step, making up our losses in these fields which were due to our negligence in the past.

/2. In adopting the all-round contract system in financial work, we have enforced various forms of the economic responsibility system, reformed the industrial administrative system, aroused the enthusiasm of various circles at all levels in increasing production and reducing expenditure, and pushed enterprises to improve management and administration./

By "carrying out the separated accounts system and implementing the all-round contract system at different levels," we have overcome some shortcomings derived from the unified accounting system and the overcentralized and overstrict financial system. From 1981 on, the province has enforced various forms of the "separated accounts system" and formulated the award scheme of allocating a portion of excess profits for bonus with the contracted profits being turned over or retained according to a certain fixed percentage. From the scope of the whole province, the financial situation of most counties and cities has been improved year by year. This has enabled us to accommodate key projects and continue to improve the people's livelihood while handing over more profits to the state. In the last 4 years, a total of 9.6 billion yuan, which equaled 10 percent of the national income in the same period, was used to stabilize the market and improve the people's livelihood (for example, the funds to compensate for the raising of purchase prices of agricultural and sideline products, the expenses in arranging jobs, the allowance to make up the price margin of means of production, living allowance, and so on). The funds for cultural and educational funds in the year 1980 were 487 million yuan or more, an increase of 25 percent over the previous year. The educational funds in the year 1981 increased by 17 percent over 1980. And, in turn, the educational funds in the year 1982 increased by 18.8 percent over the previous year, totalling more than 645 million yuan and accounting for one-fifth of the province's total financial expenditure. In the same period, the province allocated a total of more than 1.976 billion yuan as investment in capital construction. Moreover, the province also granted loans and raised funds by different means to support by stages the building of railways within the province. Also, the two special economic zones of Shenzhen and Zhuhai have been "exempted from turning over financial income to the state in a fixed period." As a result, the financial income of the two cities was doubled and thus the construction of the two special zones has been speeded up. By carrying out the all-round contract system for the financial affairs of enterprises, state farms in our province, all of which suffered losses over years, began to make up deficits and increase profits. However, there are still some counties and cities in the province which are facing serious financial problems due to the imbalance in economic development.

The reform in the industrial system has facilitated the development of production and the improvement of economic results. The state-run industrial enterprises in Qingyuan County have adopted the system of allocating a certain percentage of excess profits for bonus since late 1978. They later tried dissolving all industrial departments and brought the economic affairs of all enterprises throughout the county under the unified leadership of the county's economic



committee. This reform by the county has already scored excellent results. At present, in our province, 78 counties and cities are following the example of Qingyuan County in adopting the system of allocating a certain percentage of excess profits for bonus; and more than half of the counties and cities are engaging in the reform in the industrial administrative system and have brought the economic affairs of their enterprises under the leadership of county economic committees. From 1979 on, we have trial-implemented the system of expanding decision-making power in 169 enterprises. On this basis, more than 90 percent of local state-run enterprises above the county level in the province have carried out various forms of the economic responsibility system, with the system of assuming sole responsibility for profits and losses as the major form. By carrying out the method of progressively cutting the margin of losses for those loss-making trades while progressively raising the profit margin for those profitmaking trades, or adopting the system of contracting for handing over a fixed profit quota, some trades, in particular the metallurgical industry, the shipping industry, the postal and telecommunications service, and so on, have scored remarkable effects. Now, quite a lot of enterprises can turn over more profits to the state, retain more funds for themselves and ensure higher income for staff and workers. For example, the Shaoguan Iron and Steel Works and the Guangzhou Iron and Steel Works used to suffer great losses. However, after carrying out the method by which "the loss margin is fixed, the state no longer subsidizes loss-making enterprises for excess losses, and enterprises which manage to reduce losses and increase profits can retain their profits," the two enterprises succeeded in making up their deficits and increasing their profits within 2 years, and thus ranked among "plants making an annual profit of 1 million yuan." According to statistics, the state-run industrial and communications enterprises throughout the province, in retaining profits according to the regulations in the last 4 years, earned a total sum of more than 1 billion yuan. The increase in funds has added to the economic vitality of the enterprises, and has enabled them to expand the scale of production and provide social services by making use of their self-raised funds.

/3. On the premise that the principle of taking the planned economy as the key link was upheld, the auxiliary role of regulation by market mechanism was more effectively utilized to enliven the economy and brisk up the market./

In 1980, by promulgating the 12 measures to improve the circulation of commodities, stimulate the production of commodities and brisk up the market, the provincial people's government began to break down the excessive control over the market and the monopoly of state-run commercial enterprises. This made positive contributions to the promoting of a diversified economy, the opening up of various circulation channels, the reducing of intermediate links, the development of commodity production and the enlivening of the province's economy. The purchase and sales volume of the commercial enterprises in the province has been remarkably raised and the number of commercial networks has been increasing since 1980. The number of commercial retail networks of various kinds throughout the province increased by more than 200 percent and the size of the staff increased by more than 40 percent in 1982 over 1979. Consequently, the average number of service centers owned by every thousand residents increased from two to six. More than 60 percent of the grassroots branches under the commercial and the supply and marketing systems have already implemented the management responsibility system in various forms. There was new development in the joint

management between agricultural and commercial, industrial and commercial and between different commercial enterprises. These new management forms, which were diverse in nature, can stimulate production and provide convenience to the people's daily life as they are more flexible. A total of 317 markets for industrial products, divided into three categories, were opened throughout the province. These markets, which accommodate a staff of more than 66,000 people, are brisk. There are more than 2,300 markets for agricultural trading, an increase of 16 percent over 1979; and their business volume totalled 3.67 billion yuan a year. Last year, in coping with the new circumstances and new problems emerging after the enlivening of the market, we further broke down the blockade and strengthened the ties between urban and rural areas, enlivened the market, and made efforts to ensure the sound development of the reform in the commercial system, while strengthening the administration over the market and the commodity price.

In actively fulfilling the supply of materials covered by the plan, the material supply system also arranged the supply of some materials not covered by the plan, to make up those weak links which the plan overlooked, on the premise that loss of capital is prevented [Baoben Jingyiling 0202 2609 4842 3602]. In the last few years, by setting up cooperative links, establishing joint enterprises and exchanging materials with other provinces, our province ensured the supply of those materials which were in short distribution. And, by using foreign exchange earned by local enterprises, we also imported those materials which were domestically unavailable. In some economic sectors, we have established stable supply and marketing relations with other provinces, and the trend of economic exchange has gradually shaped up. The quantity of such materials as cement, steel products and so on which were imported each year from other provinces by our material supply departments through arrangements based on the principle of exchanging at equal value is equivalent to 30-40 percent of the quantity of material distribution covered by the state plan. These departments also undertook the supply of more than 1 million tons of coal and some other materials. Quite a lot of county-run enterprises did not get enough orders from the state plan and were not supplied with sufficient raw materials. However, they improved their products according to the market demand, and looked for raw materials and customers by themselves. As a result, the output value which they created through regulation by market mechanism accounted for about 40 percent of the total output value. In 1982, the state-run specialized companies and warehouses subordinate to the province's commercial and supply and marketing departments imported from and exported to other provinces the commodities which were not included in the state plan. The values of these imported and exported commodities totalled more than 1 billion yuan each. Such kinds of imports and exports made up the deficiency of some commodities in our province as well as in other provinces.

/4. We have pushed ahead and supported production by bringing the economic lever into full play and carrying out reform in the taxation, commodity price, credit, and other economic systems./

In the field of taxation, in accordance with the state regulations that the two provinces are permitted to reduce and exempt taxes levied on some trades or enterprises, our province changed the eight-grade progressive tax rate on excessive income for collective enterprises in cities and towns into proportional

tax rate, effective as of 1981. On the other hand, all those enterprises which made a profit of less than 30,000 yuan got an exemption quota of 3,000 yuan. This measure benefitted the enterprises, and thus mobilized their internal vitality. Taking the No 2 light industry as an example, the benefit which it obtained from tax exemption was roughly equivalent to an additional fund totalling nearly 40 million yuan a year to be allocated to these enterprises to assist them in increasing production. Moreover, by actively promoting the business forms of "processing of provided raw materials, processing according to provided samples, assembling with provided component parts, and compensation trade," enterprises subordinate to the No 2 light industry had their total export value tremendously increased, earning an accumulative amount of foreign exchange over 500 percent more than that earned in the 4 previous years, and importing equipment whose value exceeded that of all the equipment installed in the 28 previous years. From 1981 on, we have also put the system of "substituting tax for turning over of profits" to trial implementation in eight enterprises, including sewing machine plants, bicycles plants and others, which are located in Guangzhou, Foshan, Jiangmen and other large and medium-sized cities. We have fixed different income tax rates in accordance with their respective capacity and conditions, and the effect of our pilot projects was excellent. A comparison between the situations in the year before and the year after the trial implementation showed that the total industrial output value and the amount of the industrial and commercial tax increased by more than 40 percent respectively, and were more than 200 percent higher than the average level achieved by other enterprises in the same sector; and the total amount of accumulation funds also increased by more than 70 percent. Of the total amount of funds accumulated in the last 2 years, the state shared 60 percent or more, the enterprises shared 20 percent or more, the staff and workers shared 7 percent, and the remaining 3.6 percent was used to pay for loans. This was the result achieved by adopting the measure of "breeding hens for laying eggs" with regard to the taxation policy and by supporting and promoting production.

As far as commodity price is concerned, our province has carried out some reforms within the limits of authority granted to the two provinces by the state in "appropriately expanding local authorities' power in fixing prices" and in adjusting the prices of local products. First, we have relaxed the policy on the purchase of agricultural and sideline products and have expanded the limits of authority in adjusting prices. The provincial people's government decided that the 100 or more products which had been classified as first or second class and kept under the provincial government's jurisdiction, were to be regrouped into three classes from 1980 on, and part of the power to readjust the prices of these products was to be granted to prefectural authorities. Second, in light of the actual situation of the province, we adjusted the prices of seven products including rice, pigs, sugarcane, jute, silkworm cocoon, tea and timber. Third, on our own initiative, we fixed the purchase and marketing prices for those locally produced and marketed industrial products. Fourth, we have encouraged the peasants to sell their products to urban areas. In the last few years, the peasants increased their income by 3.7 billion yuan through raising the purchase prices for agricultural and sideline products, bargaining transactions, and market sales. All the above measures have played an important role in mobilizing the peasants' enterprise initiative, reducing the unreasonable price difference between agricultural and industrial products, and enlivening the economy in rural and urban areas. The rising tendency of commodity price was, in particular, brought under initial control while the economy was being enlivened and production was being promoted. The remarkable rising of commodity price in our



province has been a great problem which has drawn the common concern of the masses. In 1980, the general retail price index increased by 8.5 percent over 1979; and, in 1981, it increased again by 9.3 percent over 1980. In 1982, the commodity price was primarily stable throughout the province, and the general retail price index increased by only 2.3 percent over the previous year, close to the average level of price increases of the whole country.

As for the field of credit, we have adopted the method of "linking deposit with credit, and contracting for keeping the credit balance within a certain limit on a 3-year basis" in place of the former system of "unified control over deposit and credit." By this new method we have granted a certain degree of self-decisionmaking power to the bank. Since our province was carrying out a special policy, banks were allowed to "absorb deposit and provide credit as much as possible," and to grant medium- and short-term loans in accordance with the principle of overall consideration and in light of the actual situation. Since 1980, the People's Bank has granted the remaining sum of medium- and short-term equipment loans totalling more than 1.1 billion yuan as funds for promoting the light industry and the textile industry, the energy industry, communications and transport, and so on. The agricultural bank also granted loans to communes and brigades to build power stations. Apart from those built with the funds raised by communes, brigades and the peasants themselves, the small-sized hydro-electric power stations newly built in the last 4 years with agricultural loans are now contributing more than 280,000 kilowatts of power, which accounts for more than 60 percent of the installed capacity of all the small-sized hydro-electric power stations newly built in the province in the same period. At present, a number of power stations with a generating capacity of more than 150,000 kilowatts are under construction. The loans granted by the construction bank to accommodate technical reform of enterprises and improvement of urban housing and public facilities in the last 2 years totalled more than 1 billion.

/5. By expanding and appropriately vesting in lower levels the power to engage in external economic trade and examine and approve the utilization of foreign capital, we have speeded up the development of foreign trade and more closely linked external economic activities with local economic construction./

In 1980, our province began to carry out the system of sharing out excess foreign exchange earnings, and worked out the foreign trade plan on a provincial basis. All projects which do not affect the state's overall economic balance, such as introduction of technology, joint ventures, cooperation in production, processing and assembling with provided raw materials, compensation trade and so on, were to be examined and approved by the provincial authorities in accordance with the state's related regulations. At the same time, the province was to share to foreign exchange earnings with prefectural city- and county-run enterprises and to vest the latter with the power of examining and approving projects using foreign capital. As a step toward developing various flexible forms of trade, a reform in the foreign trade system characterized by the integration between industrial and trading departments, between agricultural and trading departments and between technical and trading departments was put on trial implementation. By and large, the results were good and favorable to mobilizing the initiative of local enterprises and the trading departments in earning foreign exchange by expanding export. After implementing the system of contracting for foreign exchange earnings quota, the export volume has increased, and both the foreign



exchange earnings turned over to the state and that retained by local units have increased by a relatively wide margin as well. Of the retained foreign exchange earnings which were to be allocated by the provincial authorities in a unified way, the portion allocated to production has been increased. In 1981, the portion of foreign exchange used to import means of production and to balance the shortage of certain commodities in the market accounted for 58 percent; in 1982, the portion of foreign exchange used to import productive equipment and raw materials accounted for 87 percent.

Some counties and cities neighboring to Hong Kong and Macao possess favorable conditions for promoting the business forms of "processing of supplied raw materials, processing according to supplied samples, assembling with supplied component parts, and compensation trade," as well as cooperative production and joint ventures. They can gradually raise their industrial level, developing from processing of supplied raw materials to processing of self-imported raw materials and self-produced raw materials, and from assembling with supplied component parts to completely self-manufacturing, thus further expanding the export of their products by promoting them in the world market. At present, there are 330,000 people working in the business of "processing of supplied raw materials, processing according to supplied samples, assembling with supplied component parts and compensation trade." The value involved in the contracts concerning this business to be fulfilled in the counties of Dongguan, Nanhai and Zhongshan and the cities of Guangzhou, Shenzhen and Foshan totals more than \$100 million. Equipment worth \$100 million, of which more than 1/4 has already been paid, was imported into these counties and cities. The import of equipment has played an important role in pushing ahead local industrial and agricultural production. In the last 4 years, the province's income derived from processing of supplied raw materials totalled more than \$350 million, the foreign capital directly absorbed through compensation trade, cooperative production, joint ventures and so on, totalled more than \$620 million. Besides, some projects were independently run by foreign investors or were accommodated with loans in foreign exchange. These practices have played an important role in making up our province's deficiency in construction funds.

By expanding economic and technical cooperation with foreign enterprises, we have strongly pushed ahead with industrial readjustment and technical reform and speeded up the renewal of products. In the last 4 years, we imported more than 100,000 sets of equipment and machines, valued at more than \$400 million. The import of some advanced equipment and technology have filled gaps in related fields in the province. For example, the technologies of treatment of fabrics after dyeing, that of coating plastic pipes with lead, soft packaging of canned food, highly efficient and energy-saving tunnel kilns, the processing of aluminum alloy, post-treatment of variable capacitors, and so on. In agriculture, we transplanted (?sweet chrisantimum) [Tian Ju 3929 5468] and drought-resistant herbage, imported some improved varieties of livestock, including lean hogs, milk cows and so on, and introduced the advanced techniques of breeding eel and prawn, quick-freezing of aquatic products, and so on.

We have made use of foreign capital and loans in foreign exchange in strengthening our transport capacity. Since 1979, we bought and built 98 ships with loans, and have thus restored passenger transport lines linking Guangzhou, Shantou and

Jiangmen with Hong Kong which had been suspended for 30 years. The profits and foreign exchange earned by these ships have made up 1/2 of the loans. At the same time, the foreign exchange earnings derived from the export of ships, the expanding of trade and transport business with Hong Kong and Macao, the promoting of container transferring service, and so on, have increased by a relatively wide margin. In highway transport, the number of special buses increased by more than 2,100, equivalent to the total increase of buses in 29 years prior to 1978.

/6. Prominent results have been scored in trial establishment of the special economic zones./

In accordance with the "rules governing the special economic zones in Guangdong Province" and the related regulations approved and promulgated by the standing committee of the national people's congress in August 1980, three special economic zones with different features were planned and set up in light of local conditions. These special economic zones have been vested with greater decision-making power and given necessary preferential treatment in the areas of import and export trade, custom duty, retaining of foreign exchange earnings and so on. The policies on utilization of foreign capital, and the absorbing of funds of overseas Chinese and Hong Kong and Macao compatriots were drawn up and the restrictions on the use of loans have been lifted. More than 730 million yuan has been used on capital construction in the Shenzhen special economic zone. Of these invested funds, foreign capital and the accumulation funds of the special zone accounted for more than 1/3, and the funds raised by establishing joint enterprises with other parts of the country, taking loans from banks and absorbing investment by the province accounted for 28 percent. In 1982, Shenzhen city's total industrial and agricultural output value and its financial revenue increased, respectively, by 32 percent and 25 percent over the previous year. With regard to the administrative system, we have set up the administrative organ for the special economic zone in accordance with the principle of efficiency and simple administration, and vested this organ with full power so that it can handle things independently and coordinate relations between different circles. On the basis of simple administration and fixed size of organization, we have clearly defined authority and responsibility in readjusting personnel and appointing cadres. In building the special zones, we have begun with the Shenzhen special zone, setting the city as our focal point and concentrating our efforts on it. At the same time, we have also paid attention to the construction of the Zhuhai and Shatou special zones. The CPC central authorities and the State Council have showed great concern for the construction of the special economic zones. In the last few years, quite a few leading comrades have inspected the special economic zones and given instructions. Meanwhile, the responsible departments concerned of the State Council have also provided strong support, selecting more than 2,000 professional technical cadres from all parts of the country and sending them to the special economic zones to take up posts in different economic departments. A new situation has now been created in the construction of the special economic zones.

Fellow deputies:

The above facts show that the power of the line, principles and policies laid down by the 3d Plenary Session of the 11th CPC Central Committee know no bounds.

The CPC central authorities and the State Council were completely correct in approving the implementation of special policies and flexible measures in Guangdong Province. With attention paid to the above six aspects, the overall economic situation of Guangdong Province has been enlivened. Of course, everything can be divided into two aspects. As we are opening a new path, and our experience is limited at the initial stage, we have failed to do everything in a down-to-earth manner and make great progress, and have not dared to go all out on our way ahead. On the other hand, due to the worldwide economic recession, the devaluation of the Hong Kong currency, the defectiveness of some policies, the shortcomings in our business management and administration, and other factors, we have been suffering greater and greater losses in foreign trade. The shortage of funds which the energy and communications industries and the financial department are facing is another noticeable restrictive factor to the economic development in our province. In short, there are still many shortcomings, mistakes and difficulties in our work. Therefore, we should not overevaluate our achievements and attribute all the problems emerging in our work to the implementation of the special policies and flexible measures. The important thing is that we must sum up experiences in good time, constantly accumulate new experiences, and try our best to improve our work.

Recently, at the Fifth Guangdong Provincial CPC Congress, Comrade Ren Zhongyi comprehensively and profoundly summed up our experiences and lessons drawn from our work in the last 5 years in terms of guiding ideology and leadership style. Now, we are trying to sum up experiences and draw lessons by reviewing our government work in the last few years in retrospect, with the focal point on economic work and the implementation of special policies and flexible measures.

/1. We must carry on the reform more boldly and adhere to it throughout the whole course of the four modernizations./

In carrying out socialist economic construction, we have no established instructions to follow, and cannot copy foreign experiences. Instead, we must tread a path of our own which fits our national conditions and has its own features, by making trials by ourselves in practice in light of the situation in our country. In the past, we have exerted overstrict and overcentralized control on the economic administrative system. In addition, because the administrative system and setup are unrational, and government administration is not separated from enterprise management, we are faced with such abnormal phenomena as divorce between urban and rural areas and between departments and regions, overlapped production, blockage in circulation channels, multiple leadership with responsibility being vested in too many people, propping each other up, and so on; and waste is enormous in our society as a whole and the economic results are terribly poor. We have indeed suffered a lot from such a situation. Only through an overall and systematic reform can we overcome the shortcomings of the existing system, establish step by step a socialist governmental and economic administrative system with Chinese features, and guarantee the smooth process of the four modernization.

The CPC central authorities' approval of the implementation of special policies and flexible measures in our province was itself a bold attempt in the large-scale reform. In recent years, in implementing the special policies and flexible measures, our province began to break down some outdated rules and conven-

tions and trod a new path. A lot of good experiences have been accumulated at the grassroots level in particular. However, generally speaking, we still have not devoted enough efforts to promoting reform, and there remains a very big gap between our achievements and the requirement laid down by the state that our province must take the lead in carrying out reform. Mainly, the provincial people's government, in its position, has not devoted enough effort to comprehensive and systematical planning and has failed to profoundly sum up, generalize and popularize experiences. Some reforms in process are still at their initial stage. Any many problems of fundamental importance remain to be solved. For example, how to restructure the existing production and circulation system, in particular, how to give full play to the role of key cities, so that they can keep abreast with the new situation emerging along with the great development of commodity production in and commodity exchange between urban and rural areas; what measures must be taken to encourage enterprises to show concern for scientific and technological development and technical transformation so that various sectors of the national economy can be shifted onto a new and advanced technical basis; how to adapt the reform in the governmental and economic system to the four modernizations; and so forth. To fulfill these aims requires a lot of arduous work. The principal shortcoming of our work in the previous stage did not lie in the emergence of various problems in the course of the reform, but in the fact that we failed to fully emancipate our minds, unify our understanding and act boldly and resolutely. For this reason, from now on, all of us must be fully aware of how necessary, urgent, arduous and complicated the current reform is, be courageous in throwing away old conventions and treading a new path, and actively enforce all reforms which are favorable to the building of a socialist society with Chinese features, the prosperity of the nation and the well-being of the people. We must carry out careful studies in drawing up a systematic, overall plan for the reform and do a good job in trial implementation. We must keep abreast of the everchanging situation, strengthen guidance of the reform, enthusiastically encourage and help the grassroots level to carry out the reform, and respect the masses' pioneering spirit.

/2. We must give consideration to the interests of the state, enterprises (collectives) and individuals, learn to act according to economic laws and persist in making the economy lively./

If we do not make the economy lively, we cannot realize the modernization program. To make the economy lively is to give full play to the enthusiasm of enterprises, workers, rural cadres and commune members in developing the social productive forces to create more wealth so that the people and the country will become rich as quickly as possible. This is an important objective in carrying out reforms. We must implement the principle of taking planned economy as the major factor and supplementing it with market mechanism, grasp firmly the major aspects of the national economy while reducing restrictions in minor aspects and set up an economic system which is conducive to achieving overall balance and to fully arousing enthusiasm so that the economy is full of inherent motive force and vitality for development.

In order to make the economy lively, we must correctly handle the interests between the state, enterprises (collectives) and individuals. In the past few years, we have got rid of some administrative restraints on enterprises and the forms of enterprise management have become more flexible. We have instituted



forms of the economic responsibility system with contracts as its core, under which the interests of the state, enterprises and individuals are integrated, responsibilities, powers and interests are integrated and the welfare of the workers is linked with the fruits of labor. It gives enterprises certain rights in making production plans and selling products while increasing economic responsibilities of enterprises toward the state. This is a reform which proceeds from the link of distribution and readjusts the economic relations between the state, enterprises and individuals. It plays the role of promoting production. However, in implementing the contract system, we must pay attention to regulating the relations between the three so that the state will get more, enterprises will retain more and individuals will receive more; and the state will take the lion's share, enterprises will take the medium-sized share and individuals will take the smallest share. Within enterprises, we must resolutely get rid of the practice of "waiting out of the same big pot" and adhere to the principle of distribution according to work in order to tap the internal potential of enterprises, increase economic returns and kindle the vitality of workers. Regarding funds owned by localities, enterprises, communes and production brigades, scattered funds of the society and personal savings, we must also adopt correct policies, take appropriate measures and give proper guidance so that these funds will be used in state and provincial construction projects which need them most.

In order to make the economy lively, we must also make use of economic levers and strive to act according to economic laws. If we do not know how to make use of economic levers, we do not know how to do economic work. In the past, we knew very little about the role played by economic levers such as pricing, taxation and credit. Cadres at various levels who do economic work must learn how to swim in the sea of the law of value. In particular, we must learn to give play to the supplementary role of market mechanism. We must do regulatory work according to market supply and demand and the rise and fall of prices in order to promote production and meet ever-changing social needs. In handling the question of prices, we must take into consideration the consumers' ability in bearing financial burdens and ensure the development of production. In managing prices, we can only stabilize prices by means of making the economy lively and the market flourishing. We must strengthen management but must not manage rigidly. Only after production has been increased and materials are abundant will there be a foundation for controlling prices, injecting currency and balancing the market. The practice of fixing prices which nobody is willing to accept should be abandoned.

/3. We must unswervingly implement the policy of opening wider to the outside world and increasing economic activities with foreign countries and put this in an important strategic position in the economic construction and development of our province./

It is particularly important for Guangdong to increase economic, commercial and technical exchanges with foreign countries on the basis of self-reliance and in accordance with the principle of equality and mutual benefit. Past and current experiences at home and abroad have proved that closing the country to international intercourse will never work. This is particularly true when the world's science and technology are developing rapidly every day and our country is still lagging far behind in this respect! Guangdong should have more contacts with

foreign countries than other provinces in the interior. In order to further create a new situation in conducting economic activities with foreign countries, leaders and cadres at all levels must thoroughly do away with the natural economic viewpoint of closing the country to international intercourse and self-sufficiency, acquire skills in economic and commercial activities with foreign countries and dare to use advanced technology, scientific management methods and even capable people of the capitalist world in socialist economic construction.

It is very complicated to reform the system of foreign trade. This is a weak link in economic work with foreign countries in our province. Although we have made some progress in our exploratory work in the past few years, many problems remain to be studied and solved. The key lies in leading and economic departments at various levels, which must continue to emancipate the minds, boldly conduct exploratory work and dare to carry out reforms. We must institute the economic responsibility system in foreign trade departments and strengthen management and operation. We must formulate feasible plans for developing external economic dealings and making use of foreign funds and take into our own hands the initiative in economic and technological exchanges with foreign countries. We must set up specialized organizations, making full use of Guangdong's favorable conditions of having a great number of overseas Chinese, form extensive ties with overseas Chinese, compatriots in Hong Kong and Macao and foreign businessmen, establish an international sales network and collect international economic dealings in our province. Departments concerned at various levels must seriously sum up experiences, find out concrete ways for making use of the advantageous conditions of our province and opening even wider to the outside world and gradually fulfill the task assigned by the state to our province of "importing advanced technology and scientific management knowledge, passing them on to the interior and making our province a link in our country's economic and technical exchanges with foreign countries."

/4. We must strengthen economic legislation, strictly enforce discipline and carry out management supervision and do the work of strengthening management and enlivening the economy at the same time./

The economic law depends on the economic base, and reflects and serves the economic base. It is an important tool for the state to lead, organize and manage the economy. In the course of implementing the policy of making the economy lively and opening to the outside world, doing a good job in economic legislation, strictly enforcing the law and discipline, and setting up and improving a complete set of systems in management and supervision are an important guarantee for raising the level of leadership and management and for healthy economic development. The strengthening of economic legislation, management and supervision must keep abreast with the implementation of the policy of opening to the outside world and making the economy lively. These two supplement each other.

During the period of socialist construction, [our] struggle against economic crimes and various acts violating the law and discipline is a protracted one. We must perfect organizations, substantiate our strength and bring the struggle against economic crimes and violating of discipline in line with ruling by law so that the struggle will become regular important work. We must make clear

the main targets of our attack, having a good understanding of the policies, stress acting according to facts and taking the law as the standard, distinguish serious crimes from common mistakes and businessmen legally make profits from swindling activities, try our best to effectively crack down on economic crimes and stop acts violating the law and discipline in good time without conducting any political movement.

In implementing the policy of opening to the outside world and making the economy lively, we must strive to have foresight and adopt precautionary measures. However, we should not be afraid of troubles cropping up. The important thing is to sum up experiences and lessons in good time, "mend the fold after a sheep is lost" and turn bad things into good account. With the development of the situation, we must solve, by means of laws and regulations, new problems which occur in the new situation of increasing economic cooperation with foreign countries and making our economy lively, continuously sum up new experiences and turn them into regulations and laws and revise existing rules, regulations, decrees and ordinances so that they will be in keeping with the new situation and so that work in various aspects will have laws and regulations to go by. Also, we must pay great attention to maintaining the continuity and stability of policies. This is very necessary for foreign businessmen, cadres and the masses. Maintaining the stability and continuity of policies reflects the continuation and development of the line and policies formulated since the Third Plenary Session and reflects the spirit of ruling by law. We must draw a bitter lesson from past practices of abruptly changing the policies and must adhere to the principle of seeking truth from facts. No policy can be perfect at the very beginning. If a policy is good on the whole, it is a good policy which can be improved and perfected in the course of implementing it. We must not reverse our policies. Only in which way can we win the support of the people and give play to the power of policies.

/5. We must pay great attention to strengthening the building of a spiritual civilization./

Comrade Deng Xiaoping pointed out: "Maintaining independence, keeping the initiative in our own hands and relying on our own efforts were, have been and will be our standpoint." This is the guiding principle for building the two civilizations. We must not only have our own ways of building a material civilization and build socialism with Chinese characteristics but also have our own ways of building a spiritual civilization. The position and characteristics of Guangdong have made our tasks in improving culturally and ideologically even more arduous than those of the interior provinces. We must attach equal importance to strengthening the building of a socialist spiritual civilization with communist ideological education as its core and to strengthening the building of a material civilization and grasp our work in these two aspects at the same time. We must carry out propaganda and education in the economic and political situation and in revolutionary ideals, ethics and discipline with vivid examples and in various forms welcomed by the people. We must be concerned with people's spiritual life in the same way as with their material life. We must strengthen cultural work and strive to make literature and art flourish. We must pay special attention to the development of operas, films and television programs. We must make efforts to assimilate and make use of fine culture and arts in foreign countries, selecting the essence and discarding the dross. We

must resolutely eliminate spiritual pollution from abroad. We must boost the building of a material civilization with the building of a socialist spiritual civilization and extend socialist political influence in implementing the policy of opening to the outside world.

Fellow delegates:

Practice over the past few years has proved that the road we have traversed is correct and that we have found some specific experience for developing the economy which is suited to Guangdong's conditions. We should persist in seeking experience and march ahead. The most fundamental thing in unswervingly and correctly carrying out the special policies and flexible measures is to concentrate our efforts on the words "special" and "flexible" and to be bold in blazing new trails. We should blaze new trails in running special economic zones on an experimental basis, in exploiting and building Hainan Island and in doing various work in the province. In various undertakings, such as processing imported materials, processing parts according to pattern, assembling imported spare parts, engaging in compensation trade, running joint or cooperative enterprises, building nuclear power plants and exploiting oil in the South China Sea, we should work according to new methods. Recently, when inspecting work in Guangdong, Comrade Hu Yaobang pointed out: "We should carry out new tasks according to new methods and do special work according to special methods. Although our methods are new, our stand remains unchanged." We should act according to his words, be bold in creating a new situation in carrying out the special policies and flexible measures and open up a new socialist field.

## II. Basic Tasks in the Sixth 5-Year Plan

At the current meeting, the provincial planning committee has put forward a "Draft Outline of Guangdong's Sixth 5-Year Plan for the National Economy and Social Development." We started formulating the plan in 1980. This year, we have further revised it in light of the guidelines and requirements of Premier Zhao Ziyang's "Report on the Sixth 5-Year Plan."

In accordance with the strategic objectives, priorities and steps of our economic construction laid down by the 12th Party Congress, the general objective of Guangdong's economic construction by the year 2000 is, while steadily working for more and better economic results, to achieve 136.4 billion yuan in the gross annual value of industrial and agricultural production, an average progressive increase of 7.2 percent annually. The people will be comparatively well-off. In the course of implementing the plan, we should strive to fulfill it ahead of schedule. For this reason, it is necessary to have a firm grasp on the three strategic priorities, namely, agriculture, energy and transport and education and science. It is also necessary to bring into full play the superiority of our province in foreign economic relations and trade and take full advantage of the favorable conditions created by the exploitation of oil in the South China Sea. In our strategic planning, we aim mainly at laying a solid foundation in the first decade and ushering in a new period of vigorous economic development and quickening the pace of development in the second.



The Sixth 5-Year Plan constitutes a major step in realizing this strategic planning. Its basic tasks are to continue to carry out the principle of readjustment, restructuring, consolidation and improvement, unswervingly carry out the special policies and flexible measures, conduct reform resolutely and in an orderly way, achieve better economic results, maintain relatively high economic growth, achieve basic stability in commodity prices and continuously improve the material and cultural life of the people. In this period, we should strive, in a more satisfactory manner, to adapt the economic management system to the development of production, to rationalize the proportions of the national economy, to tap the potential of production and to lay a solid foundation for long-term and steady development through reform, readjustment and technical transformation.

With further efforts, in the Seventh 5-Year Plan period, we shall be able to construct, by 1990, a good transport network linking Hong Kong, Macao, various parts of the province and other provinces by land, sea and air and a modern communication network with Guangzhou as its center; a South China power system consisting of Guangdong and Guangxi which takes the nuclear power station and the Shajiao power station as a mainstay and which combines hydroelectric and thermoelectric power with nuclear power; and a system for studying and promoting science and technology which takes scientific research units as its foundation, which combines scientific research, design, school and production, and which serves both production and construction. At the same time, with the exploitation of oil in the South China Sea as a backing, we shall develop to a certain scale, various undertakings, such as the petroleum industry, petrochemical industry, machinery industry and support services work. We shall basically complete the construction of the special economic zones, speed up the exploitation of Hainan Island and give further scope to our superiority in foreign economic relations and trade. Various undertakings, such as agricultural commodity production, commerce, service trade and tourism will continue to develop. The economy of Guangdong will take on a new look and Guangdong will usher in a new period of vigorous economic development. In this sense, the Sixth 5-Year Plan is one which develops in the course of readjustment and reform and one which lays a foundation for the fulfillment of the strategic objective of two decades. It has a strong bearing on the modernization of the state and the immediate interests of the people of the whole province. We should make great efforts to fulfill it.

Here, I would like to explain some major problems relating to our guiding ideology in formulating the Sixth 5-Year Plan.

1. It is necessary to concentrate on achieving better economic results and strive for relatively high economic growth./

In the Sixth 5-Year Plan period, the development of the national economy should maintain a relatively high speed. By 1985, the gross annual value of industrial and agricultural production is scheduled to achieve 46.4 billion yuan, an increase of 36 percent over 1980 at an average progressive increase of 6 percent annually. Of this, the gross value of agricultural production is scheduled to progressively increase by 5 percent annually, and that of industrial production by 7 percent. This is higher than the requirement of "ensuring a 4 percent and striving for a 5 percent increase" laid down the national Sixth 5-Year Plan.

It is also higher than the 5.7 percent growth of our province in the Fifth 5-Year Plan period. In determining this growth, we have chiefly taken the following factors into consideration: there is a great potential for developing production in our province; our task in readjusting heavy industry is easier than the other parts of the country; and, in particular, our province carries out special policies and flexible measures. We have also taken into consideration the factor that the maintenance of this growth is based on achieving better economic results and so the economic development can be a little faster. In this period, the quality of products should be considerably improved, the variety of colors and designs should meet market needs, the consumption of energy and raw materials should be considerably reduced, labor productivity should be constantly improved, costs should be markedly reduced and profit should be considerably increased. Naturally, the Sixth 5-Year plan period is still one of readjustment. In this period, it will still be impossible for most of the newly-built large and medium-scale key projects to go into production. Economic development will still be restricted by various weak links, such as energy and transport. Therefore, we should not only adopt a positive attitude but also leave some margin. We should not fix the growth at an excessively high level.

In achieving better economic results and higher growth as fixed by the Sixth 5-Year Plan, we chiefly rely on intensive expanded reproduction, technological transformation, renovation of equipment and the tapping of the production potential of the existing enterprises. At the same time, it is also necessary to appropriately concentrate funds on some essential capital construction and the expansion of new production capacity. We should concentrate our efforts on energy, transport, agriculture, textile and other light industries, building materials, education and science. The investment scale of fixed assets and the major projects in the Sixth 5-Year Plan period have been arranged according to the state requirements and the actual needs of the economic and social development in our province, and a comprehensive balance has been achieved in light of the available funds. We should particularly control ordinary processing industry. Otherwise, new disproportions will emerge, resulting in a situation characterized by more haste, less speed.

/2. It is necessary to develop agriculture in an all-round way and further strengthen the foundation of the national economy./

In the Sixth 5-Year Plan period, efforts should be made to achieve the steady and all-round growth of agriculture. It is necessary to continuously relax policies, institute and perfect in an all-round way the system of contracted responsibilities with payment linked to output and extend it from farming to other economic spheres, such as forestry, animal husbandry, sideline occupation and fishery. It is necessary to extend from the existing cultivated land to various fields of development, such as uncultivated land, deserted beaches and water areas. We should actively develop the system of contracted responsibilities on a household basis and the system of contracted responsibilities for certain specialities, promote economic combination, expand commodity production and exchange, and take the road of overall agricultural-industrial-commercial operation.

In developing agriculture, we should never relax grain production. Following the growth of population, the supply of grain will increase year by year. It has been arranged in the state Sixth 5-Year Plan that the grain transported annually into our province should remain at the present level. We should base ourselves on producing in our province most of the grain we need. By 1985, grain output is expected to reach more than 40 billion jin, an increase of more than 11 percent over 1980. To ensure greater grain output, it is necessary to stabilize the area sown with grain. All cultivated land suitable for growing grain should first be sown with grain and the areas sown with grain should be stabilized at about 73 million mu. We should actively popularize hybrid paddy and other improved varieties over large areas and strive to raise per unit area grain yield in order to increase the total output. On the basis of steadily increasing grain production and maintaining the ecological balance, we should go all out to develop diversified undertakings. Situated as it is in tropical and subtropical zones, our province has numerous mountains, vast water areas and a long coastline. We should actively make use of these favorable conditions in exploitative production, open up new fields of production and develop industrial crops, such as sugar cane, rubber and fruit. Great efforts should be made to popularize improved varieties of sugarcane, raise per unit area yield and improve its sugar content. In 1985, our sugarcane output is expected to reach 17 million tons, an increase of 88.9 percent over 1980. In developing diversified undertakings, we should concentrate on stockraising, forestry, fruit, aquatic breeding and the processing of farm produce and sideline products. We should especially strive to greatly develop domestic birds and animals in the near future and take this as a breakthrough point in developing the commodity economy. State and collective enterprises and individuals should simultaneously go in for tree-planting and fruit-growing. We should resolutely close hillsides to facilitate afforestation and put a stop to indiscriminate felling of trees. Afforestation projects should be carried out in a planned way. We should mobilize the masses to go in for small orchards, tea plantations, medicinal herb plots and bamboo plots. We should pay close attention to the protection of water resources, develop freshwater and seawater fish-farming, speedily formulate plans for exploiting the 1.7 million mu of shallow waters and beaches along the coast and the 3 million mu of ponds, reservoirs and rivers, determine the rights of their utilization and expand the area of aquatic breeding. It is necessary to further relax the policies toward barren hills, uncultivated land, deserted beaches and water areas. Contracts can be valid for one or several decades. Products and contracts can be inherited. We should allow peasant households and combinations to process and market farm produce and sideline products after the fulfillment of state quotas and thus improve economic results by repeatedly utilizing farm produce and increasing its value.

Further efforts should be made to improve the conditions of agricultural production, continuously step up construction of water conservancy work, transform low-yield fields, do a good job of water and soil conservation and raise our ability to prevent floods and fight natural calamities. In the Sixth 5-Year Plan period, our chief task in water conservancy works is to complete the Baipenzhu Reservoir, and to strengthen the dykes along the Beijiang and Hanjiang Rivers. The project for strengthening the dyke of the Songtao Reservoir will be arranged by the state. At the same time, it is necessary to rely on peasants to raise funds for the construction of small water conservancy works.

Various trades and professions should energetically support agriculture and vigorously serve agriculture on their own initiative. It is necessary to develop the fodder industry. We should set up a few large feed plants and help peasants set up medium-sized and small compound feed processing plants. We should speed up the construction of farm chemical industry, transform and expand the existing large nitrogenous fertilizer plants, develop the compound fertilizer industry and increase the production of chemical fertilizer, highly-effective but low-residual pesticide and plastic film for farm use. We should increase the production and supply of inexpensive agricultural machinery and processing machinery which are handy, energy-saving and versatile. The transport and communications department should adopt measures to transport agricultural means of production, farm produce and sideline products in good time. It is necessary to relax policies in order to develop civil transportation in the rural areas.

Speeding up the economic development of the mountain areas, the areas inhabited by the minority nationalities and the old revolutionary base areas is of great strategic importance to the economic development of the whole province. Failure to develop the economy in the mountain areas will result in the uneven economic development of the whole province and it will be difficult to quicken the pace of development. We have raised this issue for many years without any great effect. The basic problem lies in our failure to work out the measures to be taken. The leading body should attach importance to the development of the mountain areas. It is necessary to relax policies, develop transport, communications the mining industry, forests and orchards and expand both purchase and supply. The fulfillment of many of these undertakings requires a certain amount of investment and a considerably long period of time. It is therefore necessary for the relevant provincial departments to regard the work of supporting mountain area construction as an important task and, in light of the specific conditions in the mountain areas, study and formulate some specific policies for bringing into full play the initiative of the people of the mountain areas and for developing the commodity economy of the mountain areas. They should formulate plans for development and give priority to the allotment of funds. They should take effective measures, carry out regular inspections, and carry out measures one by one in a serious effort to promote an improvement in the construction of the mountain areas year by year and to effect relatively great changes in a few years' time.

/3. It is necessary to speed up textile and other light industries and make good arrangements for urban and rural markets./

In developing textile and other light industries, it is necessary to continuously carry out the principle of "six priorities," strive to improve product quality, increase varieties of colors and designs, adopt and introduce new technology, improve technology, develop new products, tap new sources, expand the processing of farm produce and the production of consumer goods in order to supply the increasingly prosperous peasants and the inhabitants in both cities and towns with a rich variety of readily marketable household necessities. In light of the numerous varieties of farm produce and sideline products in our province, it is necessary to vigorously develop food and papermaking industries. In 1985, sugar output is scheduled to reach 1.6 million tons, an increase of 95 percent over 1980.



It is necessary for the textile industry to expand capabilities in spinning, printing and dyeing, add 255,000 new spindles in 5 years and achieve a basic balance of spinning, weaving and dyeing throughout the province. There should also be considerable development in the production of consumer durables, such as bicycles and washing machines, chemical products for daily use and other light industrial products.

It is necessary to make active arrangements for the market. In 1985, the turnover of social commodities is expected to be 24.35 billion yuan, an increase of 73 percent over 1980 an average progressive increase of 11.6 percent annually. Over the same period, social purchasing power is to register an average progressive increase of 10.2 percent annually. While making good arrangements for the supply of nonstaple food in cities, it is necessary to deliver industrial goods to the rural areas in order to supply the peasants with greater quantities of good, cheap and durable daily necessities, building materials and agricultural means of production. In the future, it is necessary to gradually adopt some essential policies and measures aimed at encouraging consumption in order to promote both production and consumption.

/4. It is necessary to concentrate funds and pay close attention to the construction energy and transport./

In the Sixth 5-Year Plan period, in addition to the railway and harbor projects arranged by the central authorities, the local projects (including various sources of funds) require a total investment of 1.3 billion yuan for energy construction and a total investment of 0.6 billion yuan for the construction of transport, communications, post and telecommunications facilities. The two items account for 22.6 percent of the total investment for local capital construction.

With respect to energy, we should carry out the principle of attaching equal importance to conservation and exploitation. In the Sixth 5-Year Plan period, we shall build the Shajiao and Changtan Power Stations, and draw up plans for the building of a nuclear power station and the Yeyan Power Station. The thermoelectric and hydroelectric power stations have a generating capacity of 2.41 million kw. A number of them will be completed and put into operation, generating 1 million kw. The rest having a generating capacity of 1.4 million kw, will be built in the Seventh 5-Year Plan period. In 1985, generated energy is expected to be 14.5 billion kwh, an increase of 28 percent over 1980 at an average progressive increase of 5.1 percent annually. Coal output is expected to be 7.5 million tons, which we shall make every effort to overfulfill.

In the Sixth 5-Year Plan period, total energy supply, including energy newly generated or transferred from other areas is to register an average progressive increase of only 3 percent annually, and will be unable to catch up with the needs arising from the increase in gross annual value of industrial production at a progressive rate of 7 percent over the same period. For this reason, it is necessary to strengthen energy management and pay close attention to the conservation and rational utilization of energy. At the same time, we should open up more energy resources by continuously transferring coal from other provinces and by actively joining the fund-raising conducted by the Ministry of Coal Industry for the purpose of coal mining. At present, it is urgently

necessary to develop small hydroelectric power stations in the rural areas, open small coalpits and utilize marsh gas, solar energy and wind power in order to solve energy problem in the rural areas.

In transport, communications, post and telecommunications, we should concentrate on solving the question of constructing a transport network, with Guangzhou as its center, linking various parts of the province, other provinces and Hong Kong and Macao, in order to gradually adapt to the needs of production, construction and the development of foreign economic relations and trade. In the Sixth 5-Year Plan period, we shall chiefly do the following things: 1) Building a double rail on the Hengyang-Guangzhou section of the Beijing-Guangzhou Railway and a railway from Sanshui to Yaogu on the Guangzhou-Maoming Railway, transform the Guangzhou-Shenzhen Railway and raise rail freight capacity by 6.3 million tons. Preparations should be made for the construction of the Longyan-Guangzhou Railway (from Fujian's Longyan to Mei County and on to Guangzhou). Plans should be made to raise funds for the construction of the Shantou-Mei County Railway. 2) Develop water transport by expanding and building harbors, increasing the handling capacity of harbors by 12.78 million tons, adding 79 ocean-going ships, dredging waterways and increasing or renovating a number of inland transportation ships. 3) Transform the main highways from Guangzhou to Shenzhen, Zhuhai and Mei County, increase second class highways by 424 km and build 21 large highway bridges. At the same time, it is necessary to step up maintenance of highways in order to keep the highways in good working conditions. 4) Build two ground stations in Guangzhou and Zhanjiang for receiving communications from satellites, lay a coaxial cable from Beijing and Hankou to Guangzhou and build microwave communications facilities from Guangzhou to Hong Kong, Haikou and Shantou; add 100,000 telephone sets in big and medium-size cities and 1,530 long-distance communications lines in the province; and renovate 22,000 telephone exchange facilities in the rural areas. The fulfillment of these plans will considerably increase the capacity of our province in transport, communications and telecommunications and the backward situation characterized by traffic jams and inefficient telephone service is expected to improve. It is necessary to adopt practical and effective measures to strengthen the work of traffic safety and to prevent major accidents.

At present, the building materials industry fails to suit the needs of economic construction and the people's livelihood. It is necessary to vigorously develop cement, glass, aluminum alloy, engineering plastics and so on, and strive to make a new breakthrough.

/5. Vigorously develop educational, scientific and cultural undertakings and step up the building of spiritual and material civilization./

Constantly raising the educational standard and the scientific, technological and cultural level of the whole people is both an important condition for ensuring the building of socialist material civilization and an important part in stepping up the building of socialist spiritual civilization. We should basically make primary education universal by 1985. Positive efforts should be made to reform secondary education, develop vocational and technical education and turn some ordinary middle schools into agricultural or vocational middle schools. At the same time, it is necessary to develop polytechnic education in a planned way. Higher education should be steadily developed in

the course of improving quality. We should raise funds by various means in order to set up Shantou University and Hainan University. Plans should be made to set up Shenzhen University, the provincial institute of finance and economics and the institute of political science and law. Specialities offered in the existing colleges and universities should be readjusted. We should tap potential, offer additional specialities which are in great demand and which were previously non-existent, appropriately expand the scope of cultivation in some specialities, increase the number of day students and enroll a greater number of students. It is necessary to develop the education of cadres, staff and workers and peasants. It is particularly necessary to develop education in the mountain areas and in the areas inhabited by minority nationalities. Energetic efforts should be made to eliminate illiteracy. Mandarin should be actively popularized. Teaching should be conducted in Mandarin and commercial and service staff should have the ability to speak Mandarin.

Resolute efforts should be made to reverse the backward situation in the educational cause of our province. It is necessary to greatly increase intellect investment. In the Sixth 5-Year Plan period, educational outlay is scheduled to register an average progressive increase over 8 percent annually. In the next few years, the proportion of capital construction investment on ordinary and higher education should account for more than 8 and 4 percent respectively of the total capital construction investment laid down in the provincial financial budget, figures which constitute a great increase over the amount of investment in the past few years. In addition to the schools run by the state, it is necessary to open up all avenues for running schools. Enterprises, units, masses, individuals, overseas Chinese and Hong Kong and Macao compatriots are encouraged to voluntarily raise funds to run schools.

It is necessary in science, including natural sciences and social sciences, to regard promoting economic and social development as a primary task. Practical and theoretical problems that emerge in the course of social modernization should be studied and solved and preparations in scientific research and technology should be made to usher in the development of science in the Seventh 5-Year Plan period. In natural sciences, we should popularize and apply 33 key scientific and technological achievements, such as hybrid paddy, and organize forces to tackle 42 scientific and technological items, such as selection and cultivation of improved varieties, high-yield cultivation techniques and the conservation and exploitation of energy. In social sciences, we should concentrate on studying questions in 11 aspects, including basic Marxist theory and philosophy, economics, practical economic problems and special economic zones. It is necessary to reform the scientific research system, readjust and strengthen scientific research institutions, strengthen the force of scientific research and set up and improve scientific and technological service centers.

We should develop literature, art, cinema, television and broadcasting, provide the broad masses of people with a great variety of works and programs of healthy content, and increase the coverage of medium wave broadcast and microwave television; expand the publication and sale of newspapers, periodicals and books; strengthen the management and protection of cultural relics; enrich and develop museums, memorial halls and libraries; and gradually set up rural cultural centers in market towns in order to enrich the spiritual life of the masses of people. Energetic efforts should be made to develop mass physical culture and

sports in town and country, raise the technical level of physical culture and sports and pay close attention to the construction of Guangzhou Sports Center in order to prepare conditions for holding of the Sixth National Games in Guangzhou.

In medical and health work, we should carry out the principle of putting prevention first, penetratingly launch the mass patriotic health campaign, strengthen hospital construction, improve the quality of medicine, increase the production of medicine which is in short supply and further improve medical and health conditions.

/6. Actively expand foreign economic relations and trade and technological exchange and further speed up the construction of special economic zones./

It is necessary to fully utilize the favorable conditions in our province and open up a new situation in foreign economic relations and trade. Compared with 1980, export trade in 1985 is expected to increase by 40.2 percent, an average progressive increase of 7 percent annually; income from processing imported materials, processing parts according to pattern, assembling imported spare parts and compensation trade is expected to increase by 120 percent; local non-commercial foreign exchange income derived from overseas remittance and tourism is expected to increase by 26.5 percent. They will play an important role in increasing the economic strength of our province. In order to attain the best results, foreign exchange retained by our province should be primarily used to import new technology, key equipment, urgently-needed means of production, new high-quality materials and consumer goods eligible for import under state regulations.

In building the special economic zones, we should rely mainly on attracting foreign investment, importing technology, accelerating construction and developing production. It is estimated that the scale of construction during the Sixth 5-Year Plan, when the work is completed, will amount to 3.8 billion yuan, of which Shenzhen will make up 2.7 billion yuan, Zhuhai 1 billion yuan and Shantou 0.1 billion yuan. They are mainly basic facilities and also are the processing industry, agriculture, animal husbandry, tourism and housing. The direction for developing the construction of Shenzhen and Zhuhai special economic zones should be a comprehensive special zone that also manages industry, commerce, agriculture, animal husbandry, housing and tourism; as for Shantou, in addition to processing industry and export, they should also develop tourism.

/7. Strictly control population growth and continue to improve people's livelihood./

The Sixth 5-Year Plan period is precisely climaxing with the birth rate, therefore, strictly controlling population growth is an imperative and also arduous task. If the natural population growth rate must be kept under 12 per 1,000 in 1985, the total population of the whole province must be kept under 62 million. For this reason, it is necessary to energetically encourage late marriage, advocate one child for each couple, strictly control second births and resolutely prevent additional births. We must, in particular, oppose the feudal ideas of men being superior to women and resolutely punish the criminal activities of



female infanticide and maltreatment of mothers. It is essential for leading comrades and departments concerned at all levels to strengthen leadership on family planning work and persist in grasping together ideological education, economic means and organizational measures. It is particularly necessary to strengthen family planning work in rural areas and, along with a series of changes brought forth by practicing the agricultural responsibility system for production, work out appropriate measures to implement the policy of family planning to each couple who have reached child-bearing age.

The people's livelihood must be further improved on the basis of developing production. During the Sixth 5-Year Plan, the workers' wages will be increased at an average rate of 5.7 percent a year, whereas the peasants' income will be increased at an average rate of 11.9 percent a year. The total construction area of housing for inhabitants in newly built cities and towns will be 22 million square meters and the housing area for peasants will be 150 million square meters. Meanwhile, it is important to strengthen city planning and to do a good job in setting up public facilities. Social welfare work must be developed and environmental protection done well. Small cities and town in rural areas must be gradually developed. Specialized households, those doing specialized jobs and all kinds of economic combination institutions should be allowed to run commercial and catering service businesses and be engaged in the handicraft industry and culture in small cities and towns, so that these cities and towns can become a center for rural areas to carry out political, economic and cultural activities. Particular attention must be paid to the economic use of land. The occupation of farmland for housing purpose must be strictly controlled and the illegal activities of occupying farmland and building houses must be seriously handled.

### III. Chief Measures for the Accomplishment of the Sixth 5-Year Plan

At present, the political and economic situation in the whole province is excellent. If the total output value of industry and agriculture of our province can annually increase at an average of 10.3 percent in the first 2 years of the Sixth 5-Year Plan and increase at only 5.7 percent in the latter 2 years, we will be able to fulfill the total output value quota of industry and agriculture of the Sixth 5-Year Plan 1 year ahead of schedule. The provincial people's government calls on the people of the whole province to strive to comprehensively overfulfill the Sixth 5-Year Plan, fulfill the total output value quota of industry and agriculture 1 year ahead of schedule, do a better job in the work of all fields of endeavor and strive to score greater and more outstanding achievements.

In order to attain the above objective, we must carry forward the spirit of dealing with concrete matters relating to work, continue to emancipate our minds, be bold to forge ahead and earnestly grasp well the work in the following three aspects: First, adhere to reform, promote the open-door policy to a wider scale by means of reform and further enliven the economy; second, continue to readjust the economy, reorganize enterprises and rely on scientific and technical progress and technical transformation of enterprises to tap potentials and achieve better economic results; and third, properly use and energetically train talented people. The chief measures are as follows:

/1. Comprehensively and systematically carry out reform./

The reform of the administrative and economic structure is an important guarantee for raising efficiency, achieving better economic results and attaining socialist modernization. With regard to the reform of our province, recently in his report to the Fifth CPC Guangdong Congress, Comrade Ren Zhongyi integrated the actual conditions of Guangdong and put forward the problem of eight respects that must be emphatically solved. This should be the guiding ideology for carrying out reform in our province. In accordance with this general spirit, I would like to put forward some of my opinions in the structural and economic reform of our province.

Structural reform concerning administrative management. We must actively carry out structural reform in administrative organs at the provincial, prefectural and county levels. With regard to the structural reform of the provincial administrative organs, the provincial government has drawn up a specific plan in light of the suggestions made at the previous provincial people's congress, which must be firmly grasped and completed in the first half of this year. As for the structural reform at the prefectural and city levels, we must practice the administrative management system of the county being under the jurisdiction of the city. Experiments must first be conducted in Foshan and Shaoguan. The system of the county being under the jurisdiction of the city will be set up in Foshan, Jiangmen and Shaoguan. The prefectural commissioner's office in Qingyuan will be set up to serve as an agent of the provincial government. The prefectural commissioner's office in Shantou will be removed and Shantou Prefecture will be merged with Shantou City. The simplification of the administrative structure will first be carried out in other places. The structural reform of the Hainan administrative regions has been submitted to the State Council for approval, which is to set up a people's government of the Hainan administrative region that will also be a first level political organ. The system of Hainan Li and Miao Nationality Autonomous Prefecture will remain unchanged. On the basis of practicing the administrative management system of a county being under the jurisdiction of a city, the system of separating administration from enterprises, administration from communes and integrating towns with counties should be practiced. The separation of town from country and departments from regions at different levels must be eliminated. On the basis of the structural reform at the provincial, prefectural and city levels, the structural reform at county level will be carried out and completed in the next year. The experiments for the separation of administration from communes will be conducted in the first half of this year, then gradually extended and completed in an all-round way by the first half of next year.

The following are the chief aspects in the reform of economic system:

1. The system of planning and management. Unified planning and decentralized management must be practiced and the range of planning and management of the province, city and county should be clearly defined. After the administrative management system of a county being under the jurisdiction of a city is practiced, the city under the jurisdiction of the province is the first level to work out plans. While ensuring the fulfillment of the planned quotas assigned by the state and province, the city can arrange the production, construction, circulation and distribution of the areas under its jurisdiction in an all-round way.

The range of mandatory plans, guidance plans and market regulation should be rationally differentiated. It is not suitable to assign too many guidance quotas, but we must make different stipulations according to different circumstances. We must set up a planned system that combines medium, long and short-term planning and combines economy, science, technology and social development, and we must strengthen the overall balance of medium and long-term planning and annual planning, and relatively stipulate the program of planned establishment, so as to ensure the democratization in the course of making plans and improve the scientific nature and farsightedness of planning.

2. In accordance with the new conditions and on the basis of the reform carried out at the previous stage, the reform of the financial system will be further developed and perfected. The newly established cities directly under the jurisdiction of the province are the first level of financial organs. In places where the administrative management system of a county being under the jurisdiction of a city is practiced, the financial affairs of the counties should be managed by the cities. In places where the commissioner's office serves as the agent of the provincial government, the financial affairs of the counties should continue to be managed by the province. As for the counties that cannot balance their budget, the method of "contracting subsidies from the state, retaining the surplus and bearing the overspending and losses" should be practiced and "fixed for some years."

3. With regard to commercial system, it will be necessary to carry out five reforms in the next 3 years, so as to promote the reform of the entire sphere of circulation. First, the various management responsibility systems, including contracted responsibilities must be practiced in an all-round way, and according to the stipulations of the State Council, the reform of substituting taxes for delivery of profits should be carried out. Whichever responsibility system it may be, it must "give consideration to the three integrations" and be responsible to the state, production and the consumers. We must particularly lay stress on commercial ethics and social results. Second, the reform of the system of supply and marketing cooperatives at the grassroot levels should be accelerated, so as to resume the mass character in organization, democratic management and flexible operation of the supply and marketing cooperatives. In order to meet the demands of the new situation in rural areas, it is necessary to practice the contract system internally, joint operation externally, expand the range and change the method of operation. It is demanded that by the end of this year, the reform of the supply and marketing cooperatives at the grassroot levels and the establishment of county joint cooperatives be completed. Third, the reform of the commercial wholesale system should be carried out on the basis of enlivening the economy and opening the channel, and according to the rational flow of commodities, we must carry out readjustment and avoid duplication. Fourth, the setting up of open markets for manufactured goods for daily use. According to the range and method of operation approved by the industrial and commercial administrative departments, the commerce of the state, collective and individual should be allowed to purchase and sell the manufactured goods for daily use in rural areas, towns and also beyond cities, counties and prefectures. They may voluntarily chose the units where they order goods according to the rational flow of commodities and without restrictions by the multi-level system of wholesalers and localities. Fifth, we must further relax the policies for the purchase and sale of agricultural and sideline products, and narrow the range of



products purchased and assigned according to state quotas. The peasants must be allowed to make settlements themselves and sell from various channels the third category of agricultural and sideline products and the surplus products of the first and second categories after fulfilling the state quotas. It is essential to actively carry out reform in the fields of finance, tax, industrial and commercial administrative management and so on, and at the same time give full play to the role of administrative management and economic levers in promoting economic development.

4. The reform of foreign economy and foreign trade system should be done well within the limits of the authority of the province and by adhering to the principle of unified planning, unified policy and taking unified action in dealing with foreign trade. In places where the administrative management system of a county being under the jurisdiction of a city is practiced, the rights of foreign trade management originally transferred to the prefectures by the province must now be performed by the cities, whereas the rights of foreign trade management performed originally by the counties remain unchanged. The departments and organizations of foreign trade should strengthen their management and operation and actively implement the economic responsibility system. The management responsibility system at various level that combine responsibilities, rights and benefits should be practiced within the enterprises. The transition from the entity engaged in foreign trade to the enterprise and an integrated body should be gradually realized.

5. With regard to the industrial system, we must continue to perfect the various forms of the economic responsibility systems, such as a percentage of the profit and taking responsibility for profits and losses, and so on. On the relations of distribution between the state and enterprise, we must resolutely carry out the relevant stipulations of the State Council and actively carry out the reform of the economic management system of substituting taxes for delivery of profits, so that it will help establish and perfect the management responsibility system of enterprises, and further enliven the economy and achieve better results. Meanwhile, we must also correctly handle the interests between the state, enterprise and worker and ensure that the financial income of the state will steadily increase. The structural reform of energy and communications enterprises must be emphatically grasped. We must energetically implement the system of contracted responsibilities within the enterprises. We must further relax the policies for the collective enterprises of the second light industry, actively implement contracted operation and allow the individual workers to become shareholders and share dividends. With regard to county-run industry, we must continue to popularize the experience of Qingyuan. The organizational structure of the enterprises must be reformed and specialized companies or integrated companies should be organized in accordance with the principle of specialized coordination and economic rationalization.

6. In reforming the capital construction system, we must actively popularize and perfect the economic responsibility system, with taking responsibility over investment as the core. We must practice the method of inviting tenders in construction projects. According to circumstances, the state-owned building enterprises should actively practice the economic responsibility system of substituting taxes for delivery of profits, percentage of profit sharing and taking responsibility for both profit and loss. The construction enterprises of the



state must be allowed to contract projects together with the construction enterprises of the collective and the system of assigning contracted responsibilities to managers and construction teams, groups or workers should be practiced within the construction enterprises. The diversified forms with the system of contracted responsibility as the core should be gradually practiced in the service trades and construction of the city administration. Meanwhile, the system of supplying construction materials should also be gradually reformed. We must energetically develop all kinds of construction services and consultative businesses. Housing should be gradually made marketable by practicing the method of trail sale of houses.

7. With regard to labor and wage system, we must actively practice the labor contract system step by step and gradually establish the system of social labor insurance. The wage system of combining basic wages, post wages and floating wages must be practiced step by step. The principle of distribution according to work should be embodied in wages and bonuses. In order to control the bonuses, we must try to find a solution by fixing quotas for the ratio of bonuses to contributions. The reckless issue of bonuses must be opposed, but more pay for more work should not be restricted.

8. The system of price management. The limits of authority of price management should be appropriately relaxed. The state list price must be followed for first and second category manufactured goods for daily use. The price of certain manufactured goods of the second category can be reduced. The small commodities of the third category which are not restricted can be marketed and the price may be negotiated between the buyer and seller. Seasonal and regional price differences are permitted. We must enlarge the wholesale and retail price differences so that it is advantageous to the retail units to extend their business. With regard to agricultural and sideline products, the price of surplus products of the first and second category after fulfilling the state quota and the third category of products in general will not be fixed. When necessary, the highest allowable price and lowest protective price for certain products will be fixed. The setting of price for heavy industrial products originally managed and fixed by the province now should partly be transferred to the localities or enterprises. Planned prices will continue to be practiced in service charges, such as charges for communications, transportation, medical care, water and electricity and housing rent and school fees.

The key to accelerating the pace of reform lies in the determination of leaders at various levels. Leading cadres at all levels should be bold to carry out reform and forge ahead and be promoters of reform. We must firmly carry out the reform that is favorable to the development of production and technical progress and achieving better economic results, and that is advantageous to arousing the initiative of the enterprises, units and individuals, enlivening the economy, and correctly handling the benefits between the state, collective and individual. In carrying out reform, we must proceed from practice, carry out comprehensive planning, conduct experiments by stages and in groups and advance step by step. In order to prevent hesitation in moving forward, we must not place too much stress on stability or rush headlong into mass action.

/2. Increase economic and technical exchanges with foreign countries./

We must make efforts to make economic and technical exchanges with foreign countries more lively and further broaden their scale. At present, deficit in foreign trade is a big problem in increasing economic activities with foreign countries. All departments concerned are required to make concerted efforts to eliminate deficits resulting from subjective factors by means of reforms.

We must continue to pursue the policy of encouraging export and strive to increase the competitive power of export products. We must strive to increase the export of famous brand, high-quality products, native produce and fresh and live products, increase the percentage of mineral products in export commodities and increase the export of nonferrous metals and rare metals. We must increase production which processes imported raw materials for export and increase the export of products in this respect.

We must continue to make efforts in developing services in processing materials and assembling components for foreign firms according to their requirements, compensation trade, cooperation and joint ventures. We must import in a planned way more foreign funds and advanced technology and equipment. In January this year, the provincial government approved and promulgated 101 new economic and technical cooperation projects which involves the import of foreign funds; departments concerned must actively and initiatively develop cooperation with foreign businessmen. In increasing economic activities with foreign countries, we must give further play to the role of trust and investment companies, the Guangdong Enterprises Ltd, and the Nan Yue Company. We must extend international economic and technical cooperation such as labor services, technical services and contracting projects. We must actively develop tourism. We must strengthen work in overseas Chinese affairs and further implement policies toward Overseas Chinese.

Special economic zones must dare to blaze new paths and accumulate new experiences. They must be advanced not only in economic construction but also in courtesy, civility, sanitation and building a high degree of social morality.

The CPC Central Committee and the State Council have attached great importance to speeding up the development and construction of Hainan Island. Recently, Hu Yaobang, Zhao Ziyang, Wang Zhen, Gu Mu and other leading comrades of the central authorities have been to Hainan one after another to inspect the work there and put forward important views concerning Hainan's development and construction. The principle of promoting development with the policy of opening up to the outside world and the implementation of a relaxed policy have been decided on so that Hainan can have greater power to make decisions and, according to the state's principles and policies, go all out, initiatively arrange production and construction, carry out structural reforms, tap its potential, make use of its advantageous aspects, develop economic combination and boost economy. Hainan must also make use of the experiences and methods of the special economic zones, actively and carefully import funds and advanced technology, develop foreign trade and tourism, promote development with the policy of opening up to the outside world with development. Hainan Island must conduct overall planning, mobilize all its people to work hard for the prosperity of the country, set up an industrial and agricultural economic structure and foreign

trade bases with its own characteristics and strive to make this treasure island prosperous as quickly as possible. All provincial departments and prefectures and cities which are economically more developed should show concern for Hainan Island and actively and voluntarily make contributions to its development.

/3. Fully depend on scientific and technological progress./

The key to the four modernizations lies in scientific and technological modernization and in order to promote economy, we must depend on scientific and technological progress. This is a strategic principle in our country's economic construction.

Most existing industrial and communications enterprises in our province are old. Their equipment and machines are old and their production processes are backward. We must carry out technical transformation in these enterprises within several years and shift their production processes to an advanced technical basis. This will greatly increase economic returns. The province has already formulated a technical transformation plan for the last 3 years of the "Sixth 5-Year Plan" and various localities, trades, professions and key enterprises must also formulate respective plans and earnestly implement them. Stresses in technical transformation should be laid on saving energy and raw materials, improving product mix, quality and performance, increasing the productive capacity of products which are in short supply and are badly needed by the society, and treating and comprehensively using waste water, waste gases and industrial residue. In the last 3 years of the "Sixth 5-Year Plan," the province has planned to invest over 1 billion yuan in technical transformation and updating equipment each year. We must arouse the enthusiasm of enterprises in carrying out technical transformation by means of economic and technical policies. Technical transformation in the machine building industry should take the lead in order to provide equipment and machines for overall technical transformation. We must gradually raise the productive technology of the old industrial and communications enterprises in our province to the level of the 1970's and 1980's by means of technical transformation and importing advanced technical equipment. Petroleum exploration and the building of a nuclear power station in Hainan have an important bearing on the technical progress and economic development of our province. We must take advantage of these favorable conditions in developing our province's economy, science and technology.

In order to promote scientific and technological progress, we must give full play to the role of the professional scientific and technological contingent. This contingent of more than 230,000 people is the backbone force promoting scientific and technological progress in our province. We must organize them to serve economic construction and to do a good job in the following five aspects: 1) participate in making plans for scientific and technological development of enterprises, trades, profession, areas and the whole province; 2) organize the work in tackling technical problems; in particular in tackling problems of the 42 major projects of the province; 3) participate in verification and economic analysis of key construction projects, including major import projects; 4) assist relevant trades, professions and enterprises in popularizing advanced technology so that research results can be turned into productive forces as quickly as possible; and 5) play their parts in publicizing science and

technology. This is particularly important in the rural areas. We must form a contingent of professional scientific and technical personnel as a backbone force to popularize science in the rural areas. We must set up numerous scientific and technical households, demonstration households and scientific popularization villages, form a rural scientific and technical network, establish a system for popularizing scientific research to serve the peasants and depend on science and technology to develop agricultural production. We must support research units and scientific and technological personnel in implementing various forms of the contract system and award scientific and technological personnel for their discoveries and technical renovations. We should ensure reasonable rewards for scientific and technological personnel who have really made major contributions.

/4. Continue to do a good job in readjusting and reorganizing enterprises./

The problem of low economic returns exists in various fields in our province, such as production, construction and circulation. In the past 3 years, the rate of acceptance of fixed assets in capital construction in our province has been lower than the national average level; circulation funds used by local industries and comparable costs of production have increased while profits delivered by enterprises to the state have decreased; and some economic and technical targets are still lower than the highest ones in the past. This is mainly caused by irrational organization and structure of enterprises and backwardness in management and operation. In the past, the problem of low economic returns was covered up because many products were in short supply. At present, some products which were formerly in short supply and were easily marketable cannot be sold and are stockpiled. In industrial departments alone, about 500 million yuan worth of this kind of product has been stockpiled. Therefore, in the last 3 years of the "Sixth 5-Year Plan," we must resolutely readjust and comprehensively reorganize enterprises and properly solve this problem.

We must rationally readjust the structure of enterprises. We must give play to the role of central cities and rationally readjust the subordination relations of enterprises. We must break through divisions between trades, professions and localities and reorganize and combine enterprises according to the products they produce and gradually carry out production in a specialized and socialized manner. All enterprises which consume too many materials, produce products of poor quality and have suffered losses for a long time, which produce products exceeding demand causing serious stockpiling and which were blindly set up and are redundant and backward should be closed down, stop production, be merged with other enterprises or be shifted to the production of other products.

In reorganizing enterprises, we must carry out our work comprehensively according to requirements of raising the management, operation and technical level and increasing economic returns. We must, first of all, do a good job in consolidating and building leading bodies and select appropriate people to leading bodies at all levels. Then, we must depend on the new leading bodies to carry out various kinds of reorganization work. We must popularize the advanced experiences of the Shoudou Iron and Steel Company, the Hainan Iron Mine, the Guangzhou linen textile factory and other units, set up and improve the economic responsibility system at all levels, make appropriate economic accounting, fix quantity and quality targets for management and properly carry out various kinds of basis work in management and operation. We must give training to workers and



improve the system of production management and the system of ideological and political work. If possible, factory directors can be chosen through democratic election. The 216 large and medium-sized industrial and communications backbone enterprises throughout the province must fulfill all tasks in reorganization before the end of this year. Other industrial and communications enterprises should basically fulfill theirs before the end of 1984. One-third of the financial and commercial enterprises will start reorganization work this year and will basically complete their work in this respect in 1985.

/5. Correctly use capable people and make great efforts to train capable people./

Recently, Comrade Hu Yaobang pointed out in his report delivered at a meeting to mark the centenary of the death of Marx: "Knowledge and intellectuals were necessary for overthrowing the old world, and they are even more necessary for building the new. Furthermore, in a country like China with its low economic and cultural level, whether or not we are able to master modern science and culture is a pivotal factor determining success or failure in our construction." This also applies to the socialist construction in our province. We must attach great importance to correctly using capable people and make great efforts to train capable people. Only by establishing a correct concept of respecting cultural knowledge and intellectuals can we correctly use capable people. We must continue to eliminate leftist ideological influence in using capable people. No one is perfect and almighty. We must make use of a person's strong points. If we try to find fault with a person, see only his weaknesses and are blind to his strong points, we will only "crush" him. There are many people like Jiang Zhuying and Luo Jiangfu among the intellectuals. We must learn to be good at discovering and valuing capable people. Only leaders who are able to discover capable people and dare to use them in creating a new situation can be regarded as good leaders.

We must take good care of intellectuals, middle-aged intellectuals who play a backbone role at various posts in particular. We must solve outstanding problems in their daily life as quickly as possible so that they can concentrate their thoughts on their profession work. There are also various types of capable people among the overseas Chinese and compatriots in Hong Kong and Macao, such as in the fields of engineering, technology, international trade, enterprise management, finance and money matters and foreign languages. We must encourage them to make contributions to the modernization of their home towns and motherland. We must not discriminate against intellectuals who are returned overseas Chinese or from overseas Chinese families. We must encourage intellectuals to work in the rural areas, mountainous areas and on Hainan Island. If they go there, their residence registration should remain in cities and they should be given higher wages and better welfare treatment.

Training capable people is both a pressing need at present and a long-term strategic task in enlivening China. It takes a long time to train capable people, and leaders at all levels must be farsighted and start the work by doing a good job in running kindergarten and primary schools. There are three main ways to train capable people: 1) Depend on schools. This is the foundation. We must properly run various kinds of schools. 2) Given in-service training. We must run various rotational training classes for specialized

study in social and natural sciences. 3) Encourage people to become capable through self-study. Anyone who has passed examinations given according to state requirements will have the same qualifications as those who graduated from schools. We should pursue a policy of encouraging people to study abroad at their own expense.

Fellow deputies:

In order to fulfill the Sixth 5-Year Plan in our province in an overall way, we must unswervingly implement the principle of simultaneously grasping the building of material and spiritual civilization. We must extensively carry out propaganda and education of socialist spiritual civilization with communist ideology as its core and advocate the lofty ideals of realizing communism, communist ethical values and the communist spirit of dedicating oneself to creating a new situation in all fields in socialist construction. We must continue with efforts to unfold the "five stresses, four beauties and three loves" activities and to build civility villages, factories, schools and streets. People throughout the province must learn from Comrade An Ke. Comrade An Ke was a fine son of the CPC and the great socialist motherland. His heroic deeds shine with the brilliance of communist ideology. People throughout the province, the broad masses of youths in particular, must learn from Comrade An Ke who sought truth, actively made progress, was ready to take up the cudgels for a just cause, had lofty ideals, loved the country and the people and worked diligently and conscientiously. We must learn from him his noble moral character of wholeheartedly serving the people and his dauntless spirit of self-dedication. We must regard learning from Comrade An Ke as a main content in conducting communist ideological education, strengthening legal education and building spiritual civilization.

We must continue to energetically publicize and implement the new constitution, promote socialist democracy and improve the socialist legal system. We must extend socialist democracy to various aspects of socialist life, systemize and legalize the socialist democratic system, fully guarantee the people's right as masters of the country and give play to their socialist enthusiasm. We must further strengthen political and legal organs at various levels, step up the building of the militia, universally set up and implement the responsibility system in security work by depending both on professional departments and the masses, and with the might of the law, sternly hit at hostile elements and various criminals who sabotage the socialist system. We must continue to crack down on smuggling, contraband and other serious economic crimes. We must resolutely correct unhealthy practices, unhealthy practices in building and distributing houses in particular, and take disciplinary measures against those whose crimes are serious and create a bad impression. In short, we must make great efforts to bring about a turn for the better in social order, social practices and cadres' work style.

Fellow deputies!

We are shouldering glorious and arduous tasks. All cadres must resolutely respond to Comrade Hu Yaobang's call for restudying a second time put forward at a meeting to commemorate the centenary of the death of Marx, continue to eliminate the long-standing influence of leftist ideas and master better Marxism-Leninism-Mao Zedong Thought and various branches of social and natural

sciences, modern technology and sciences in management and operation so that our ideological style, professional ability and work methods can meet the needs of carrying out overall reforms and modernization. We must further strengthen unity among all nationalities, unity between the army and the people and unity between the army and the government. We must strengthen unity with compatriots in Hong Kong and Macao, compatriots in Taiwan and overseas Chinese. We must expand to the greatest extent the united front formed by all socialist laborers, patriots who support socialism and patriots who support the reunification of the motherland. People throughout the province must unite closely around the CPC and struggle, under the leadership of the Guangdong Provincial CPC Committee, for overfulfilling the Sixth 5-Year Plan in an overall manner and for building Guangdong as quickly as possible into the motherland's southern gate with political stability, economic prosperity, scientific progress, cultural achievements, well-off people and fine social practices!

CSO: 4006/468

## ECONOMIC MANAGEMENT

### COMMERCIAL REFORM BENEFITS CONSUMERS IN BEIJING

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[Text] Beijing, 20 Apr (XINHUA correspondent Liu Qizhong)--The current reform in Beijing's commerce has improved service in the shops and service centers, benefiting the consumers in many ways, a municipal official said here today.

Li Zunhua, the official who is in charge of the reform, said that "the results of the reform over the past 3 months indicate that the much-complained poor service in Beijing's commercial units has been markedly improved."

The reform, which is also known as the responsibility system, is conducted mainly in the form of contracts between the state and the shops and service centers. The enterprises pay their employees according to how much they sell and how well they serve the customers.

The official also said that the Tianqiao Department Store in southern Beijing began to reform its management in mid-January and the reaction from the shoppers so far has been very favorable.

Li Zengguang, an urban worker living in a village 10 kilometers south of the city, bought a 14-inch black and white TV set last weekend. He said this was the fifth he had bought for his neighbors from the store.

"I like to shop here solely because of its good service," he said. "They deliver any heavy pieces you buy to your home free of charge. They exchange the television for a new one if it doesn't work properly, and when it needs repair they lend you one while yours is being fixed. What else can a shopper expect from a store?" he added.

At the Xidan grocery in the city's west district, Cui Donjun, a technician in a broadcasting equipment factory, said he was happy with the services there. He said that his family is from the south and loves to eat preserved duck eggs. But neither he nor his wife has time out to buy the item.

Now, he said, he can just leave some money with a shop-assistant at the grocery on his way to work in the morning and pick up the processed eggs on his way back home in the evening.



"All southerners living in the city would appreciate this kind of service at the grocery," he said.

In the outskirts of the city, similar reactions have been reported.

One day in early March, a blind roving entertainer from Hebei Province came to a small inn in Changping County in northern Beijing. The inn introduced the responsibility system to its management last January. As soon as he sat at a table, the man said, he was served a basinful of warm water and a towel to wash his hands and face before his meal. He had never had such an experience in his previous trips.

Encouraged by the way he was treated, he inquired shyly whether he could have a meal of Mongolian hot-pot mutton. He knew that he could not eat the delicacy without special attendance. To his surprise, he was led to a hot pot and served one piece of mutton after another.

Deeply moved, he said, "For years I have longed to taste this dish. My dream has come true today in Beijing."

To express his gratitude, he gave an impromptu performance for all the attendants at the restaurant.

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## FINANCE AND BANKING

### REFORM OF CHINA'S FINANCE SYSTEM DISCUSSED

Beijing CAIZHENG [FINANCE] in Chinese No 2, 8 Feb 83 pp 16-17

[Article by Zhu Fulin [2612 4395 2651]: "Some Views on the Recent Reform of China's Finance System"]

[Text] To implement the policy of "readjustment, restructuring, consolidation and upgrading," to fully bring the initiative of both central and local administrations into full play and to meet the needs of the four modernizations drive, the State Council has decided to institute a system of "separating receipts and disbursements and assigning responsibility at various levels" in its finance administration. The principles of this new financial system are: under the prerequisite of consolidation unified central guidance and unified planning, and ensuring the indispensable expenditures of the central administration, the financial rights and obligations of the administration at various levels are to be clearly established, a linkage of rights and obligations is to be instituted--each office attending to its own affairs, each office to bear its own responsibilities--thus bringing the initiative of both central as well as local administrations into full play. Under the principle of unified leadership and separate management at all levels, each of the provinces, municipalities and autonomous regions has in the past few years practiced different financial systems, so that altogether five methods had been in operation: (1) some provinces practiced the system of "separating receipts and disbursements and assigning responsibility at various levels, fixed and constant for 5 years; (2) some provinces carried out a system of "sharing the total amounts with proportionate responsibilities," fixed and constant for 5 years; (3) a small number of autonomous regions of the national minorities carried out local national financial systems (also fixed and constant for 5 years, with certain special considerations); (4) the two provinces of Guangdong and Fujian, because they are particularly active in foreign trade, carry out special policies and flexible measures and in their financial administration practice a method of taking responsibility for their finances to a very large extent; (5) the three large municipalities of Beijing, Tianjin and Shanghai continue to use a method of "sharing the total amount and fixing shares once a year." All the five patterns are systems of assigning responsibility at various levels, practiced under unified leadership and planning by the central authorities. For easy understanding, everyone calls it a method of "eating from separate pots," in contrast to the past "eating out of the same big pot."

The new financial system has been in effect for 3 years already and judging by the practical conditions we believe that in general the reform has been in the right direction and the results have been good. It stimulated eagerness in the localities to increase production and practice economy and to increase revenue and reduce expenditures. At the same time these measures provided helpful experiences for the gradual transformation of our system of economic management.

In saying that the reforms were in the right direction, we refer mainly to the following points: (1) in financial administration the principle of separate management at various levels under unified guidance and planning is being strictly adhered to. After changing to "eating from separate pots," the central administration set up its own "pot," and each local administration set up its "pot," thus increasing the financial powers of the local administrations and taking a step forward as compared with the past financial system of "eating out of the same big pot;" (2) various different types of financial administration are being applied in consideration of the different conditions in the various provinces, municipalities and autonomous regions, there is thus no "cutting everything with one knife;" (3) insisting on a proper linkage of central and local administrations; for expenditure for the country as a whole, the central authorities are in charge and such expenditure is to be controlled by the departments of the central administration; in their planning and actual application, opinions of the local administration is in charge and is to control such expenditure, also has the right of all planning and application, but must report such items to the central authorities for examination and approval. The central authorities have the right to effect an overall balancing.

In saying that the new system showed good results for the last 3 years, we refer mainly to the following points: (1) it stimulated eagerness in the localities to increase production and practice economy. Using the "separate pots" system made the party and government leaders in all localities give greater attention to questions of financial administration and had them place such matters as energetic efforts to increase production and practice economy, raising revenues and reducing expenditures, developing production of consumer goods and tapping new financial resources on the agenda of the day as important items, and had them also become very active in these types of endeavors. The effects with regard to strengthening of the financial administration and plugging loopholes have also been conspicuous. In these 3 years, the various localities, in order to ensure completion of the financial tasks of the whole country and to balance finances at their own places, vigorously pushed all the work of organizing income and, through a large-scale check of taxes and profits, found out and additionally collected sizeable sums of unpaid taxes and untransferred profits. (2) It strengthened the sense of responsibility in the localities for managing their own finances and for balancing fiscal revenues and expenditures. Using the "separate pots" system changed what in the past had been a situation of having "thousand households spending money and only one household being held to balance the finances." Now, whenever a heavy burden must be borne, it had to be shouldered by everyone. Each place is equally doing what it is capable of, and much greater attention is being paid to balancing fiscal revenues and expenditures at one's own level.

When revenue decreased in 1980 and 1981, most localities reduced expenditure on their own initiative and made great efforts to achieve balanced finances. In 1980, local expenditures were reduced by 10 percent compared to the preceding year and in 1981 by 8 percent. This had rarely occurred in the past. (3) Each locality showed a positive attitude in bearing hardships. In the last few years certain openings opened up due to reduced revenue and increased expenditure in some departments of the central administration and a considerable part of these deficits were taken on by local finance as their responsibility. At the same time the localities have in recent years loaned the central authorities funds, helping the central administration overcome certain difficulties. Owing to the correct policy decisions of the central authorities and the common efforts by all, a balance could basically be achieved in the whole country's revenues and expenditures in the two years 1981 and 1982. (4) The new system had a certain stimulating effect in promoting the economic readjustment and reorganization and in raising economic benefits. In some localities, several enterprises that had operated with a high rate of consumption, but had incurred losses over a lengthy period of time, were closed down, operations stopped, merged or converted, and certain experiences were gained in pursuing economic benefits, in tapping potentials and in increasing fiscal revenues.

In summing up the above, since our country instituted the new financial system, the general condition is good. However, due to the fact that carrying out the new fiscal system is an extremely complex task in which we have had little experience, and also in view of the fact that the reform of the finance system precedes the reform of the entire economic system, it is hard to avoid new contradictions and problems, since no reform has as yet been effected in the systems of planning, basic construction, materials and enterprise management. Some of the main problems are: (1) the breakthrough first effected in the reform of the finance system does not agree and dovetail with the system of economic management. Some powers in actual affairs are out of line with fiscal powers and create new contradictions. (2) The financial difficulties of the central administration are very serious, but certain localities also have their difficulties and request assistance from the central authorities, being unable to fulfill their assigned tasks. This is mainly due to the year by year declining revenue, but to some extent also connected with the new financial system. For one, when the new system was planned, the intention was to allot certain large-scale key enterprises to the central administration to replenish the revenue of the central authorities. Later, this was not realized for various reasons. Another reason is that when task assignments were negotiated with the localities, the central authorities made allowances for the benefit of the localities to the amount of several billion yuan, expecting to make up these sums from additional revenue. However, later the revenue of the central administration not only did not increase, but on the contrary decreased, and there was no way to make up anything. Of course, the financial difficulties of the central government did not begin with the institution of the new finance system. (3) After delegating powers, the work of overall balancing, coordinating and supervising did not catch up and some irrationalities occurred at the time when the activism was being stirred up for local increased production and increased revenue.



Judging by the 3 years of practical experience, we believe that we should continue to practice "unified leadership and separate management at all levels." Certain problems that we shall encounter are the problems of progress, some will require reforms linked with the reform of the whole economic system and with overall comprehensive adjustments; some will be gradually overcome by further economic readjustments, effective reorganizations of enterprises and raising economic benefits, so that revenues will gradually increase and the difficulties will be gradually overcome. Our present task is to explore how we can further perfect the financial system of "eating from separate pots," so that this system may better meet the needs of economic readjustment and reform and accord with the needs of the socialist modernizations. For this purpose we believe the following points deserve our attention:

(1) Determination and reform of the system must start out from the actual conditions of our country. Foreign experiences may serve as examples, but must not be copied mechanically. The practice of 30-odd years proves, that our financial system must fit the needs of the development that our political and economic affairs will take at various different times. It must be reformed in a planned way in stages, especially at this turning point in our history. We must promptly change all methods that do not accord with the fundamentals of our economy. These are the only methods by which the system can give improved service toward the realization of the party's and the state's political line, principles and policies at different times.

(2) In the distribution of financial resources, we must maintain an appropriate concentration of financial resources to ensure key constructions. China is a large, but poor country. We cannot distribute financial resources to take care of all possible concerns. While we must pay attention to bring all positive forces into play, we must appropriately concentrate our financial capacities to ensure the completion of key construction projects. It would be wrong to institute an excessive concentration and stifling overcentralization of our financial capacities, but it would be equally wrong to scatter them excessively and disperse the limited resources of the state. It must be kept in mind: at different times there must be certain priorities, but one must also be wary of the fact that "excess is as bad as deficiency." When priority is to be given to concentration, we must pay attention and give consideration to certain special local condition, ensure that essential needs are met and avoid too much and too stifling a centralization. At times when dispersion is to have priority, attention must be given to strengthening the overall point of view, strict financial and economic discipline, and we must at that time also be wary of irrational tendencies that may arise and of a localism that would disregard the interests of society as a whole.

(3) The reform of the finance system must help maintain the balance between state revenues and expenditures and an overall balance in the national economy. When enacting the reform of our finance system we must, on the one hand, give the localities the necessary flexible financial resources, so that they may be able to solve the local problems by measures that suit their local conditions, and on the other hand, appropriately determine the limits of the local shares and reasonably determine the way in which the localities may use these flexible financial resources, so that they may be used with benefit for the planned

management for the whole country and the overall balance of the whole country.

(4) The reform of the finance system must deal correctly with the relationship between the central and the local administrations, as it must also deal correctly with the relationship between the state and the enterprises, the latter being even more extensive and more important than the former. We must follow a principle of linking powers, responsibilities and benefits and adapt the financial powers of the enterprises, the shares of their retained profits to the tasks undertaken by the enterprise, its responsibility and its contribution to the state. We must not engage in egalitarianism and it would also not do to try to get as much out of them as possible.

(5) The financial reform must be complete set of arrangements. The financial reform must dovetail with and be attuned to reforms in the systems concerned with planning, basic construction, materials and commodity prices, and only then will it be lucid and logical and will it yield twofold results for half the effort. Trying a breakthrough with a single isolated force will not only be unsuccessful, but often invite new contradictions and fail to achieve the anticipated results.

(6) The financial reform must be pursued with zeal, but also in a safe and reliable manner. All preparatory work has to be thorough and painstaking. All data must be checked repeatedly, and the distribution of financial resources must be fair and reasonable. Large-scale reforms must be tested in pilot projects to gain the necessary experiences. The pilot project must not be started with a bias with the intention of gaining certain advantages in the financial reform. That would not be a genuine job, and even if the pilot project would show a result, it would not be proper to apply it widely. Also, when the comprehensive reform of the financial system is to be set in motion, an appropriate point in time must be selected when the state will have certain reserves to meet unforeseeable expenditures.

9808

CSO: 400/373

## FINANCE AND BANKING

### FINANCE CHIEF REPORTS ON REVENUE WORK

HK190230 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 18 Apr 83

[Summary] Hubei Provincial Financial Bureau Director (He Fulin) announced in his report at the first session of the sixth provincial people's congress: "The province's financial revenue last year rose by 6.4 percent over 1981 and by 86.4 percent over 1977. The budget was balanced, with a slight surplus."

In order to fulfill the 1983 budget, (He Fulin) stressed the following issues in his report:

1. Work hard to improve economic results and increase financial revenue. The key here is to resolutely shift economic work onto the track of improving economic results.

2. Universally introduce the system of substituting payment of taxes for delivery of profits, and correctly handle the interests of the state, the enterprise and the worker.

3. Establish the idea of the whole country as a chessboard and do a good job in raising capital for energy and communications construction and subscribing to state treasury bonds.

4. Launch all-round straightening out of enterprise finances and put economic accounting and economic responsibility systems on a sound basis. At present financial management is chaotic and losses and waste are serious in many enterprises in the province. The profit level of state-owned industry is rather low. Some 20 percent of enterprises are running at a loss. There are also many operational losses among commercial, food and other enterprises. This year, while continuing to get a good grasp of enterprise consolidation, we should launch all-round straightening out of enterprise finances."

5. Strictly enforce budget controls and achieve balanced budgets.

6. Strengthen financial supervision and strictly enforce discipline. This year the province must carry out a review of the implementation of financial discipline and tax policies, and put problems right when found. The necessary punishment must be dealt out in serious cases.

CSO: 4006/465

## FINANCE AND BANKING

### IMPLEMENTING TAX DELIVERY SYSTEM REVIEWED

SK220708 Taiyuan SHANXI RIBAO in Chinese 25 Mar 83 p 4

[Excerpts] With the approval of the provincial government, beginning in 1983, Shanxi coal mining administration will implement the system of "delivery of taxes instead of profits." Under this system, enterprises are to turn in 55 percent of their profits to the state as income tax. After paying income taxes, enterprises must hand in about 64.6 percent of the remaining part of the profits to the state. The remainder of the profits will be retained for use by the enterprises. The tax rate and the proportion of allocation of profits after paying income taxes will remain unchanged for 3 years.

After implementing the system of "delivery of taxes instead of profits," the economic responsibilities of Shanxi coal mining administration to the state are: It must fulfill the state raw coal production plan of 10.7 million tons in 1983 and strive to make the production figure reach 11.5 million tons by 1985, an average annual increase of 3.67 percent. It must hand in 8 percent of the income from the total sales of products to the state--not including those gained from dressing coal--as industrial and commercial taxes. It must hand in 55 percent of its profits to the state as income taxes. After paying income taxes, it must hand over to the state 64.6 percent of its remaining profits and may keep 35.4 percent for the enterprise itself. Further, the state will ensure the supply of products to the enterprise in line with its materials requirement plan, ensure the transport of raw coal produced by coal mines and dressed coal produced by coal washing plants--including those that are above the quotas--and decide on and allocate sufficient flexible funds to the enterprise in line with the state stipulations.

CSO: 4006/465



## FINANCE AND BANKING

### LIAONING TRANSFORMS PRESENT TAXATION SYSTEM

SK160837 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 15 Apr 83

[Text] On 10-14 April, the provincial government held a provincial work meeting in Liaoyang City on practicing the system of substituting taxes for delivery of profits. The meeting urged all localities to go into immediate action to work out specific plans for the system for responsible bureaus of all counties, districts and cities in April, to clear the accountings of enterprises by the end of May and to ensure a comprehensive enforcement of the system from 1 June.

The meeting decided: For 544 state-owned small industrial enterprises across the province with fixed assets, whose annual production value is below 3 million yuan and whose profits are below 200,000 yuan, and some 354 state-owned small commercial enterprises with annual profits below 50,000 yuan, which institute the independent accounting system and have business licences, an eight-grade above-quota progressive income tax will be levied. These enterprises are exempted from paying fees for their fixed assets, and their after-tax profits will be handled in line with different individual conditions.

The enterprises surpassing the standard of small enterprises belong to large and medium-sized enterprises. State-owned large and medium-sized enterprises should pay 55 percent of profits to the state as income tax. Enterprises may retain a rational portion of after-tax profits the rest is to be distributed in line with methods of fixed proportion, progressive quotas and regulatory business taxation.

The meeting also made specific regulations on levying taxes and retaining profits for enterprises at and above the county level--such as supply and marketing cooperatives, catering, service, construction, material supply, cultural, educational and publishing trades.

Enterprises which have previously practiced the profit-retention and contract systems should carry out the system of substituting taxes for delivery of profits in line with the unified method.

With regard to this we should attend to replacement, transformation and conversion work. Enterprises which can gain more advantages by carrying out the system of fixing quotas for the delivery of profits to the state

and the contract system than by enforcing the system of substituting taxes for delivery of profits to the state will be given certain advantages at the year-end settlement of accounts.

The meeting held: That state-owned enterprises will pay taxes to the state instead of delivering profits to it is a fundamental reform of the economic management system. In handling the relations between the state and the enterprises, in distribution, the system serves as an orientation, not a contract. The system can correctly handle relations between the state, enterprises and individual workers, ensure steady growth in state revenue, be conducive to the political construction of the state, give both impetus and pressure to enterprises, arouse the enthusiasm of enterprises, raise their production and the level of operations and management, smash the bonds and unnecessary administrative regulations from various departments of various levels, further expand the decisionmaking power of enterprises, bring into play the functions of the system as an economic level and promote the reform of the economic management system.

At present, we are carrying out the first step of the system. Profit delivery should still coexist with tax payment.

All localities should upgrade awareness, seek unity of thinking, have a clear understanding of the policy and methods and try to achieve all preparatory work for the system, in line with the guidelines of the national work conference on practicing the system of substituting taxes for delivery of profits.

Attending the meeting were responsible comrades of all city and prefectures and various economic committees, financial and trade offices, commercial bureaus, financial departments and tax bureaus.

The meeting conscientiously studied and discussed the guidelines of the national work conference on practicing the system of substituting taxes for delivery of profits and discussed the provincial government's specific regulations and methods for the implementation of the system.

Li Guixian, standing committee member of the provincial CPC committee and deputy governor, delivered a speech on the plan for practicing the system and set demands for the second quarter of 1983 in industrial and communications production.

CSO: 4006/465

## FINANCE AND BANKING

### HUNAN MEETING DISCUSSES NEW TAXATION SCHEME

HK200614 Changsha Hunan Provincial Service in Mandarin 2310 GMT 19 Apr 83

[Text] According to HUNAN RIBAO, the substitution of tax for profit delivery will be implemented in state-owned enterprises beginning 1 June. The tax assessment period began 1 January this year. This has been decided by the State Council.

In order to carry out this decision, the provincial people's government held a provincial conference in Changsha from 11-18 April on the work of substituting tax for profit delivery. The conference was of the opinion that the implementation of the substitution of tax for profit delivery was not only a change in the form of handing over profits, but also a major reform in the distributive relations between the state and the enterprises. Beginning 1 June, the substitution of tax for profit delivery will be implemented in all state-owned enterprises in the province that earn profits except for those of defense, coal and food grain production, post services, foreign trade and those with personnel undergoing labor reform. In enterprises where the substitution of tax for profit delivery is implemented, the percentage of retained profit will be the same as that in 1982 and the principle of neither reducing nor increasing that percentage will be adhered to.

Liu Zheng, secretary of the provincial CPC committee, pointed out at the conference that the work of substituting tax for profit delivery has a vast involvement and highly reflects policy and is a heavy task. Governments at all levels should conscientiously strengthen their leadership over this work. The finance and tax departments and departments responsible for enterprises at all levels should select a number of backbone cadres to engage in the work of substitution of tax for profit delivery. They should speed up their work and strive to get all things ready for it before 1 June. They should establish and perfect tax collection and management systems, vigorously publicize the policies and conscientiously fulfill this major task of reform in order to make contributions to bringing about a radical turn for the better in the financial and economic situation of the state.

CSO: 4006/465

## FINANCE AND BANKING

### 'JINGJI RIBAO' DESCRIBES PROFIT DISTRIBUTION PLAN

HK081136 Beijing JINGJI RIBAO in Chinese 30 Mar 83 p 1

[Commentator's article: "The State Takes the Bigger Portion in the Newly Increased Revenues"]

[Text] That the state takes a big share, the enterprise takes a medium-sized share and the workers take a small share is an important principle that must be observed in carrying out the reform of the economic system. It is particularly necessary to stress this principle when hundreds of thousands of enterprises throughout the country are going to start the work of replacing tax payments for profit delivery so that the relationships between the state, the enterprise and the worker may be correctly handled.

In the course of reforming the economic system, including the substitution of tax payment for profit delivery, it is necessary to prevent the national financial resources from again being dispersed. In any case, the state must increase its financial income. This is the need of the overall interests of the national economy. Only by ensuring that the state can concentrate necessary funds so as to smoothly advance key projects in the fields of energy, transportation, science and education can the enterprises have broad prospects of development and the workers have their long-term benefits. Only when the state revenues increase through the improvement of economic results and the tapping of internal potentials can the enterprises retain more profits and the workers gain more benefits.

How should we understand the principle of giving a big share to the state? Some people argue that when calculating the big share, the base should be the sum of the amount of income that enterprises should originally turn over and the newly increased amount of income. In our opinion, this is not right. The amount of income that originally should be turned over to the state has been included in state budgets and has constituted the base for various financial expenditures. This amount cannot be subject to redistribution. Only the amount of newly increased income can be subject to redistribution. Therefore, we must clearly understand that of the newly increased incomes achieved by enterprises every year, a big share should go to the state, a middle-sized share should be retained by the enterprises and a small share should be given to individuals. If we do not understand and handle the question in this way, it will not be possible for the state finance to concentrate more funds and to guarantee the needs of key construction projects.



In order to guarantee that a big share of newly increased income may go to the state, and that enterprises and individuals may get a medium-sized share and small share, respectively, it is necessary to make the enterprises have greater vigor and let them see their development prospects. At the same time, pressure should also be exerted on the enterprises so that they may feel that they can continue to exist only through great efforts. That is to say, if the enterprises want to receive a medium-sized share and individuals want to receive a small share, they must energetically improve their management and operation. If they do not make an effort and work in a slack and perfunctory manner, they will not have their benefits. This will do no good for either the state or the enterprises. It is hoped that the departments concerned and enterprise leadership groups will have a clear understanding of this point.

CS0: 4006/465

## FINANCE AND BANKING

### SICHUAN EXTENDS FIRST FLOATING INTEREST LOANS

OW120818 Beijing XINHUA in English 0803 GMT 12 Apr 83

[Text] Chengdu, 12 Apr (XINHUA)—The Sichuan branch of the People's Bank of China has begun to issue circulating funds with a floating rate to enterprises to help stimulate the circulation of bank loans, banking sources here said today.

The 400 big and medium-sized industrial enterprises and commercial establishments in the province have received loans with a 20 percent floating interest rate. Lower interest is granted to short-term users.

The Sichuan branch is the first to carry out the new approach, sources said. The People's Bank of China and its branches used to issue loans with fixed interests and make no change no matter how long the enterprises use them.

The pilot scheme for restructuring the banking system in Sichuan began in 1979. The branch began to involve itself in such new fields of service as extending medium- and short-term loans for upgrading equipment in enterprises and loans to individual households. Services in Chengdu, capital of the province, showed that 10 of the city's enterprises used 5.16 million yuan in circulating funds less in 1982 thanks to the new flexible method, sources said.

CSO: 4020/71

## MINERAL RESOURCES

### POLYHALITE, OTHER MINERALS FOUND IN QAIDAM BASIN

OW100818 Beijing XINHUA in English 0735 GMT 10 Apr 83

[Text] Xining, 10 Apr (XINHUA)--Chinese geologists have for the first time found potassium-rich polyhalite, a kind of mineral that contains hydrous sulfate of calcium and magnesium, in the Qaidam Basin in Qinghai Province, during their second round of general survey of the basin which started in 1981.

In addition, they have located 30 new ore-rich areas and made further evaluation of other mineral deposits found before.

According to the survey team, the potassium-rich minerals were discovered deep in the Dalangtan Salt Lake. One layer is two meters thick and the other layer is 0.6 meters thick. The discovery lends great hope for bigger deposits of potassium salts in the basin, the scientists said.

Qaidam Basin is the largest potassium salts bed in China, with a verified reserve accounting for 98 percent of the country's total potassium salts reserves.

Further evaluation shows that the asbestos ore body at Mangya turned out to be 700 meters longer than the original assessment and the added known reserves are now estimated at two million tons. In addition, the Gasikule oilfield has been verified to have more than 48 million tons of oil reserves.

Qaidam is known in China as a "treasure bowl." Extensive prospecting over the years have led to the location of 34 minerals by 1980. Among them are potassium salts, magnesium salt, lithium minerals, bromite, iodite and asbestos. Their deposits rank first in the country.

Boron and tronite reserves rank second in the nation. Rich reserves of glauber's salt, gypsum, lead, zinc, coal, iron, petroleum and natural gas have also been identified.

Some of the resources have already been exploited. A number of oilfields, coal mines, borax and asbestos enterprises have been set up.

CSO: 4020/71

## MINERAL RESOURCES

### COUNTRY ENCOURAGING WIDER USE OF TITANIUM

OW121228 Beijing XINHUA in English 1130 GMT 12 Apr 83

[Text] Beijing, 12 Apr (XINHUA)--China is encouraging a wider use of titanium, a metal found more corrosion-resistant than stainless steel, according to a national conference which closed last week.

China has favorable conditions for using the metal on a wide scale, said experts participating in the conference. Work in this field started in the 1950s and a complete titanium industry has taken shape, from ore-dressing and refining to the processing shaped titanium and manufacturing equipment. Titanium deposits have been found in 19 provinces and autonomous regions. Verified reserves rank among the largest in the world.

Titanium has been used in China over the past decade in such diverse industries as the aero-nautical and space industry, chemicals, metallurgy and pharmaceuticals.

Nearly 30 percent of the caustic soda making plants are using titanium positive electrodes. This results in an annual saving of electricity of up to 50 million kwh and up to 380,000 tons of steam. In the metallurgical industry, more than 250 tons of titanium has been used over the last 10 years for making machinery equipment. Titanium is also used in making bicycles and artificial limbs and joints, and as an additive in the production of paint, chemical fibers, plastics and rubber.

CSO: 4020/71



## INDUSTRY

### 'TIANJIN RIBAO' ON COMMENDATION OF NEW PRODUCTS

SK220959 Tianjin TIANJIN RIBAO in Chinese 25 Mar 83 p 1

[Excerpts] On 24 March, the Tianjin Municipal People's Government held a commendation rally at the Science Hall for new products produced by the municipal industrial and communications enterprises. Attending the rally were engineers, technicians, workers and leading cadres of various industrial and communications bureaus, companies and units to be commended, totalling some 1,000 people.

Huo Tianyi, standing committee member of the municipal CPC committee and deputy mayor, and Li Zhonghuan, deputy mayor, attended the rally. Responsible comrades of the Municipal Economic Commission gave a summing-up report. The Municipal No 1 Machinery Bureau, the Municipal No 1 Light Industrial Bureau, and the Municipal Radio Integrated Company and 19 advanced companies, including the Public Utility Company, the Optical Instruments Company and the Yarn-Dyed Fabric Company, as well as 131 top quality new products were commended and received awards.

Last year, our municipality made gratifying progress in developing new products, creating an all-time high in various targets. We manufactured on a trial basis 1,778 new products, an increase of 19 percent over 1981, of which 1,165 were put into production. Three textile and light industrial bureaus, together designed 24,874 new varieties of products, an increase of 15 percent, and put 15,602 of them into production, up 17 percent over 1981. Among the 1,778 new products, the quality of 775, or 44 percent has reached the advanced level and filled a blank in China's industrial and communications products.

New progress was made in the production of new products in 1982, making it possible for new products to produce economic benefits rapidly. Last year, the output value of new products produced by industrial and communications enterprises throughout the municipality accounted for 5.2 percent of the total and the profits accounted for some 3 percent of the total amount of profits. According to statistics released by the recent Tianjin trade fair of exported goods and the municipal commodity trade fair, some 800 new products were ordered and contracts signed. During these two trade fairs, the export volume of new products [reached] \$13 million.

CSO: 4006/465

## DOMESTIC TRADE

### SHANGHAI ECONOMIC ZONE OFFICE MEETS IN BEIJING

OW091235 Beijing XINHUA Domestic Service in Chinese 0839 GMT 7 Apr 83

[Article by RENMIN RIBAO reporter Xing Fengbing and XINHUA reporter Ding Gengxi]

[Excerpts] Beijing, 7 Apr (XINHUA)--The Shanghai Economic Zone Planning Office recently held a meeting in Beijing to discuss matters regarding reforms and planning of the projected Shanghai economic zone. During the meeting, comrades from various departments concerned presented many useful opinions on the importance of the economic zone, its future development and measures that have to be adopted.

The projected economic zone with Shanghai as the center will be located in the Changjiang delta, comprising Suzhou, Wuxi, Changzhou, Nantong, Hangzhou, Jiaxing, Huzhou, Ningbo and Shaoxing cities and 57 counties in Jiangsu and Zhejiang.

The attendants maintained at the meeting that the establishment of an economic zone in the Changjiang delta with Shanghai as the center is a major decision to accelerate economic development. With unified planning and economic integration, the region's productive force can be further emancipated, the role of the old industrial base of Shanghai can be given fuller play in our country's economic development, and a socialist economic administrative system with Chinese characteristics can be developed.

The attendants noted that at present it is necessary to do a good planning for the economic zone, with emphasis put on planning for technical transformation, water and land transportation, development of energy resources and foreign trade and the harnessing of the estuary of the Changjiang, the Huangpujiang and Lake Taihu. For this purpose, investigation and study must be carried out in earnest, efforts must be made in promoting economic integration and the favorable factors of Shanghai and the other provinces and cities must be brought into play. Economic integration should be based on the principle of making unified planning and developing what is most advantageous without restructuring those units that participate in economic integration. The forms of economic integration should be varied: There may be loose integration as well as the integration of various economic bodies. Integration may be carried out within a province or a city, or between

provinces and cities. General integration of an entire trade may also be preceded by integration of the production of certain products.

During the meeting, various departments concerned, in accordance with the requirements stipulated in the general plan of the economic zone, presented their preliminary plans and opinions. To make the plan a realistic and feasible one, the Shanghai Economic Zone Planning Office and the planning groups of various departments have started carrying out a comprehensive investigation and study in the Changjiang delta region and listening to the opinions of all quarters.

CSO: 4006/465

## FOREIGN TRADE

### SINO-AUSTRALIAN ECONOMIC RELATIONS REVIEWED

HK190922 Beijing RENMIN RIBAO in Chinese 19 Apr 83 p 6

[Article by Wei Yubin [7614 3768 3830]: "The Growing Economic and Trade Relations Between China and Australia"]

[Text] Since our nation and Australia established diplomatic relations in 1972, bilateral trade and economic relations between the two nations have greatly developed.

Economic relations and trade contacts between China and Australia date back to the 18th century. Since the founding of the PRC, the two nations have continued to maintain commercial intercourse. The volume of trade between China and Australia in 1950 amounted to only \$4.62 million. Further developments have been made since diplomatic relations were established. In 1973, the two governments concluded a trade agreement, which stated that both nations would grant each other most-favored-nation treatment in bilateral trade. Since 1974, the two nations have held regular trade talks each year. In 1978, the Australian Government agreed to accord China general favorable treatment which it accords to other developing nations and this measure has greatly increased China's exports. In 1980, both sides signed an agreement on exporting China's sugar to Australia. In 1981, the two nations signed another agreement on the plan for promoting development through technical cooperation. In the same year, the two governments also signed an economic cooperation protocol, which has furthered Sino-Australian economic cooperation and has brought Sino-Australian economic relations to a new stage. According to the agreement, two annual Sino-Australian technical cooperation meetings were held respectively in 1981 and 1982. In recent years, quite a few regional and specialized commodity exhibitions have been held on each other's soil and have created some favorable conditions for expanding bilateral trade. The relevant departments of both governments have taken an active attitude and have worked hard to open up new fields for cooperation.

In recent years, marked results have been achieved in bilateral trade. The total volume of bilateral trade in 1980 hit an all-time high. As compared with the situation before diplomatic relations were established, our exports to Australia have increased by 380 percent and imports have increased 26 times. Last year, the total volume of two-way trade amounted to \$1.096 billion, showing an increase of 21.6 percent over that in 1981



or a 12-fold increase over that in 1972, the year when diplomatic relations were established. Sino-Australian trade is now ranked sixth in our foreign trade and also takes an important position in Australia's foreign trade.

The number of economic cooperation projects involving the two nations has been increasing year after year and the scope of cooperation is increasingly expanding. At present, there are about 30 economic cooperation projects. Some of them have been completed; others are under construction or under negotiation. Those having been completed include an exemplary ranch in Nanshan, Hunan Province; 8 small hotels in Guilin, Nanjing, Zhenjiang, Wuxi, Suzhou and other cities; a project of installing a complete set of storage equipment with a 5,000-ton capacity in Liaoning Province; a cotton farm in Xinjiang Autonomous Region; and the plan of training litchi-planting technicians by Guangdong Province for Australia.

At present, because of problems concerning quotas, varieties, delivery and transportation, China is still suffering an adverse balance of payments in its trade with Australia. This situation needs to be improved through friendly consultation so as to commonly promote China's exports to Australia and guarantee that bilateral trade between the two nations may develop more healthily.

CSC: 4006/465

## FOREIGN TRADE

### NEW PROSPECTS IN FOREIGN EXCHANGE WORK EMERGE

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 3, 4 Mar 83 pp 38-41

[Article by Jin Deqin [6855 1795 3830]: "Exert Efforts to Create a New Situation in Foreign Exchange Work"]

[Text] The 12th National Party Congress issued the great call to the whole party and to the people of the whole country for the all-round initiation of a new phase in the socialist modernization drive. In 1983, the Bank of China at various levels must conscientiously study, and exert themselves in implementing, the important directives by our leadership comrades of the Central Committee concerning the work of the Bank of China, in order to, one step further, bring the role of the Bank of China within the national economic construction into full play, with increased economic effectiveness as core concern, to exert ourselves to make our bank into a modern specialized foreign exchange bank and to open up a new prospect in foreign exchange work.

Carry on the Past Heritage and Open Up the Future, Exert Efforts to Initiate a New Phase in Foreign Exchange Work.

Since the Third Plenary Session of the 11th CPC Central Committee, the work of the Bank of China has experienced a great development. The bank initially set itself up as the specialized foreign exchange bank of the state, expanded its domestic and overseas organization, broke the taboo of raising funds abroad, borrowed on behalf of the state large sums of foreign exchange capital, gave various loans in foreign exchange and large foreign trade loans in people's currency, supported the development of the national economic construction and foreign trade as well as economic work in special areas, developed agency business, enhanced the international settlement of trade and non-trade accounts, fostered the buildup of a cadre contingent and initially brought into being a contingent of foreign exchange workers. In the last few years, the work of the Bank of China was successful and basically suited to the demands created since the Third Plenary Session of the 11th CPC Central Committee for implementation of a policy of national economic readjustment and for further development in the general situation following the opening up of the country.

However, the level of our business management is not high, our competitive strength is not great, and earnest efforts must be made to raise the quality

of our service and our work efficiency. In the new historical period, the Bank of China must have the courage to take on the glorious and arduous task of increasing its effectiveness in the domestic construction, must utilize to the utmost our advantageous situation and make efforts to fulfill all tasks entrusted to it by the state during the Sixth and Seventh 5-year Plans, and must initiate a new phase in foreign exchange work.

(1) Effective performance of international financial settlements, promoting proper planning of foreign exchange receipts and disbursements. We must actively improve coordination with the work of the foreign trade departments. We must effectively balance foreign exchange receipts and disbursements. Regarding the differences arising from receipts and disbursements of foreign exchange from trade and non-trade sources, the bank must play its role as adjuster of such funds and ensure availability of foreign exchange for the requirements of imports, must effectively allocate and transfer funds, must closely observe and regularly study the economic conditions of the major countries of the world and the changes in currency values, must effectively trade in foreign exchange, avoiding or reducing losses from foreign currency devaluations or shifts in value and strive for a good economic effectiveness.

(2) Expand sources of capital, provide the needs of the four modernizations drive. The Bank of China is authorized by the state to take charge of all sectors concerned with foreign loans. We shall continue to raise capital abroad at suitable rates of interest in line with the state plan and according to the capital requirements of various departments and localities. When importing commodities from capitalist countries, we shall contact the units concerned and with due consideration of the level of interest, as far as possible use the credit of the buyer. We shall raise foreign exchange capital in every possible way and from every quarter, in order to actively contribute to the state's four modernizations drive.

(3) We must actively support the key items in the state's developmental strategy and endeavor to raise economic effectiveness. For such key items as energy sources, communications, etc., we must effectively act as financial advisors and supply the needed foreign exchange capital in their support. In doing so, we shall participate in banking consortia raising funds for long-term investments and make great efforts to do a good job at the work entrusted to us. We shall continue to support ocean transportation and other construction. As to the importation of technological equipment and other scientific, educational and cultural undertakings, if a favorable foreign exchange rate can be obtained, we can support such activities by means of special foreign exchange loans or foreign exchange agreements. We want to support on a large scale the technological renovation in our domestic medium and small-size enterprises, particularly the technological renovation of enterprises producing export commodities. This will be key tasks for our bank for a considerable time in future as part of our business of foreign exchange loans and trust consultations. During the Sixth 5-Year Plan, our bank added U.S.\$1 billion to a basic fund of already U.S.\$1 billion of foreign exchange capital at the presently favorable interest rate of 8-10 percent, for loans to support the technological renovation of the domestic medium and small-scale enterprises. We shall work in coordination with

economic committees and cooperate with the departments and localities concerned in their respective renovations, help them in importing advanced technological equipment, help in the effective use of foreign exchange loans and work energetically to have in the effective use of foreign exchange loans and work energetically to have these undertakings succeed.

(4) We must make great efforts to support the development of foreign trade, especially the expansion of large-scale exports. We shall continue to do effective work in foreign trade credits and, support the procurement of commodities for foreign trade. We shall thoroughly investigate and research trade information and make such information available, introduce customers and adopt effective measures to promote the expansion of exports by our foreign trade departments. We will also actively assist economic and trade departments in establishing export commodity bases. We shall try out granting export buyer loans, improve the competitive strength of our machinery and electrical products on the international market and gradually improve the structure of our export commodities. We shall vigorously push research and improve business methods with regard to the third world countries, particularly in the wide areas of Asia, Africa and Latin America.

In order to have the Bank of China be even more effective in the domestic economic construction during the period of the Sixth and Seventh 5-Year Plans, we shall make full use of the advantage of having overseas branches to support the domestic construction by coordinating domestic and overseas affairs.

In carrying out the above-mentioned major tasks we shall continuously work to raise the level of business management in the Bank of China and build up the Bank of China into a modern bank specializing in foreign exchange business. The aim of our endeavors shall be: to have the Bank of China become a bank specializing in foreign exchange business, which will be able to assume the tasks posed by the state's four modernizations drive; to have it become a bank that will enjoy the highest international reputation; to turn it into one of the most advanced banks in the world and to achieve modern standards in the quality of its services and in its work efficiency.

**In Initiating a New Phase in Foreign Exchange Work Certain Questions Must Be Clearly Realized**

Since the Third Plenary Session of the 11th CPC Central Committee, the work of the Bank of China is being shifted to assume the functions of a lever for the economic adjustments and for the promotion of technological renovations in the areas of production and circulation. To initiate a new phase in foreign exchange work and have our work suit the demands of national economic construction, a shift is required and certain questions must be clarified.

(1) on the relationship between management of foreign exchange business and administration of foreign exchange work. Beginning August last year, the administration of foreign exchange work was placed in charge of the Chinese People's Bank, but the state's policy of "unified administration, unified management" in foreign exchange work was not changed. Now, the Bank of China



will concentrate its main energy on effectively carrying out the management of foreign exchange business, geared to the needs of production and circulation, fostering a mentality of service to the customers, improving the service attitude and raising the quality of service. However, this does not mean that the Bank of China will not pay serious attention to foreign exchange administration. If problems concerning foreign exchange administration arise, we shall take the initiative to consult and solve the problems with the foreign exchange administration departments of the Chinese People's Bank.

(2) On the relationship between unified management and decentralized administration. We assume that the head office will exercise unified administration with regard to principles, policies, planning and international financial activities and will implement a high degree of centralization in matters of foreign exchange capital, but apart from that, the branch banks will be given a considerable amount of autonomy in the management and administration to allow them to bring their subjective initiative into full play.

(3) On the relationship between domestic and overseas operations. Through actively launching business operations overseas, the Bank of China produced much foreign exchange, expanded its capital strength, supported the domestic economic construction and thus came to play an increasingly effective role. It is therefore necessary to accomplish an effective integration of domestic and overseas operations, of foreign exchange and people's currency business and of the work of domestic bank branches and the overseas branches. In order to realize this close integration of domestic and overseas operations and better to support domestic economic construction, it is necessary to establish a system for the necessary linkage of the business operations of domestic and overseas branches and to further strengthen mutual business contacts and relations.

(4) On the integration of trades port and inland trades. In order to strengthen consistency in foreign dealings, foreign trade and foreign exchange business must be relatively centralized. The bank branches in the interior must therefore start out from the realities of the situation and develop their business in a way that will serve consistency in foreign dealings and that will be attuned to the reforms in our systems of foreign trade, finance, etc. At present there are about 50 bank branches in our country that are already transacting persons trade settlements. The performance of some is not up to standard, but they do exert certain influence on the safe and prompt receipt of foreign exchange. In order to ensure concentration, allocation, transfer and utilization of foreign exchange, and to maintain conditional consistency in foreign dealings, we must try to effect improvements or entrust the handling to branches where conditions are good. In future we shall generally not increase the points for overseas trade settlements, in order to benefit the relative centralization of foreign dealings and for a better control of the system of payments against documents as well as to reduce risks.

(5) On the relationship between the interest rate policy and capital accumulation. In our capacity as the state's specialized foreign exchange bank, we must pay attention to the interest rate policy, but also to capital accumulation, and neither should be overemphasized at the expense of the other. In future

we shall more effectively determine an interest rate policy that will conform with the conditions in the international financial market and that is linked with our capital structure. Loans on favorable interest rates will be granted for the technical renovation of medium and small-scale enterprises, and the scope of such loans will be further expanded.

(6) On effective performance of basic business and launching of new business activities. Our basic business are such activities as settlement of trade and non-trade accounts, depositing, loaning, transferring of foreign exchange and people's currency, etc. Building on our present foundation, we intend to continuously improve the quality of our work, further enhance the international reputation of our bank and increase its ability to attract capital. However, in line with national as well as international economic developments, we will still have to actively initiate new business lines and enliven our business. For instance, we shall continuously expand the business of foreign exchange loans, discounting of notes, international trust business, investments in joint ventures and other such business, and undertake on trial such operations as export buyer loans, secured loans, bond and debenture business, participation in or initiation of international bank consortia for the purpose of arranging loans. In short, we should try business lines that we have not transacted before, operate them in accordance with normal international banking procedure and gradually acquire experiences in these new business lines.

#### Some Work that Needs to Be Effectively Carried Out in 1983 To Initiate a New Phase in Foreign Exchange Operations

Our bank's 1983 tasks are: continued implementation of the policy of readjustments in our national economy, expansion of sources of capital, improving the utilization of capital funds, raising economic effectiveness, enhancing management and administration and raising the quality of service, for the purpose of laying the foundation on which our bank can be built up into a modern bank and as our active contribution in the fight for a turn for the better in our financial and economic conditions.

(1) Work energetically to raise capital. As to current foreign exchange credit agreements that have matured or are about to mature and buyer credit agreements, these may be extended if their conditions are agreeable and if possible at more favorable terms. The interest rates in the financial markets of the whole country have been declining year by year, and we must study how to raise long-term capital or to issue long-term bonds. However, measures must also be studied on how to avoid the risks of fluctuations in currencies.

We must effectively handle foreign currency deposits. New regulations for deposits in foreign currencies and special deposits in people's currency have already come into force on 1 January of this year. This is an effective form of attracting foreign exchange capital, and we must further improve our service and do a good job in this line of business.

(2) Improve utilization of capital funds, effectively handle credit and trust business, raise economic effectiveness. Items for which the state has approved the necessary foreign exchange funds must be energetically supported by us

according to plan, by such means as, for instance, participation in bank consortium loans for long-term investments, and we must energetically work to initiate such schemes. We must participate in financial negotiations for the importation of technologies or equipment or the export of commodities. At the time of signing contracts, the clauses concerning financial matters must be examined by us and we must effectively act as financial advisors in large-scale transactions.

Over 60 percent of our bank's foreign exchange loans are in support of items needed in the technological renovation of medium and small-scale enterprises, especially in cases where the economic effectiveness of the technological renovation, in view of the trade or industry concerned, is absolutely clear. During the period of the Sixth 5-Year Plan, the various bank branches, under the unified arrangements of state and local economic and planning committees, will further expand the scope of loans and improve loan administration.

The future direction of the development of international trust business must be in line with the state's policy of economic construction and the state's plan. We shall launch foreign exchange trust investments, foreign exchange adjustments, international leasing or chartering, counselling and other such activities, using the U.S.\$500 million allocated in the Sixth 5-Year Plan for trust investments, improving operation of joint ventures and raising economic effectiveness.

(3) Promoting the development of foreign trade. Every branch of our bank must do a good job at providing funds for the planned procurements for foreign trade. They must thoroughly investigate and research the enterprises, urge improvements in the management and administration of the enterprises, speed up capital turnover, have the turnover rate of circulating capital of foreign trade enterprises reach or exceed the record levels of that trade and reduce the level of occupied funds. We shall assist the foreign trade in establishing export bases and expand sources of export commodities. We shall improve methods of foreign trade credit administration and energetically expand the practice of short-term loans, above-quota loans and special item loans. Qualified bank branches may launch discounting of foreign trade notes, to further benefit the development of foreign trade.

From this year to 1955, our bank will appropriate U.S.\$500 million for export credits and grant foreign exchange loans at low interest rates for the export of machinery and electrical products. This year this will first be tried out by our branches in Beijing, Tianjin, Shanghai and Dalian.

Promote export products, improve quality, increase designs and assortments, improve decorations and packaging, strengthen competitive strength and increase credit for foreign exchange. The export of engineering contracts and export of services has greatly increased in the last few years and has good future prospects. We wish to give helpful support by credit guarantees, as witnesses, by loans and by other such methods.

(4) Strengthen the work of international settlements, effectively handle the movement of funds with a high degree of centralization, promote the planning

of receipts and disbursements of foreign exchange. At present, international settlements are getting more and more complex. Our domestic banks must strengthen cooperation with the related bank branches overseas and make efforts to raise the quality of work with respect to examining certificates and invoices, checking remittance requests and other such sectors of work, and at the same time effect reasonable readjustments in their organizations. All operations in connection with trade settlements and accounting work are to be organized in a unified way, so as to benefit safe and prompt receipts of foreign exchange. As to punctual remittances in payment of imports, we must maintain our international reputation, so that our economy will not be impaired. In currency trading, cooperation and coordination must be strengthened and responsibilities must be clearly defined. Problems arising in diplomatic negotiations must be met with a unified stand in all foreign dealings. Equality and mutual benefit are our guiding principles in foreign relations and as international settlements are one item of economic work involving foreign relations, we must pay even greater attention to the implementation of these guiding principles.

Since the Third Plenary Session of the 11th CPC Central Committee, the non-trade foreign exchange remittances have been growing day by day. Together with the departments for overseas Chinese and for commerce and trade we must implement, one step further, a policy of "remittances" of materials and goods from overseas Chinese and strengthen our propaganda services, in an energetic drive to increase remittances from overseas Chinese. There is further potential for larger receipts of non-trade foreign exchange remittances, and we must work harder to provide better facilities for our customers, improve our service attitude, raise work efficiency and other aspects of our work. The non-trade remittances must be disbursed according to approved plans, economically and without waste. Increasing receipts and sparingly disbursing non-trade remittances of foreign exchange will provide the state with added foreign exchange and help support the socialist construction.

In initiating a new phase in foreign exchange work, we must furthermore also conscientiously strengthen the managerial and administrative work in the bank itself.

(1) Strengthen planned administration and the study of policies. Planned administration is a weak link in the work of the Bank of China. All administrative levels in the bank of China must study the special characteristics of the area they are located in, gain a good grasp of the conditions of capital sources and capital utilization, do a good job at balancing the foreign exchange plan and let the supply conditions guide the work. Gathering information must also be an item on the agenda; in conformity with the departments, launch work in a planned and organized way.

(2) Add modern accounting tools and set up effective communications. First, modernize telecommunications equipment. All bank branches, especially the branches in the 12 ports must all install modern telecommunications equipment, where the local telecommunications departments are adequately equipped, so that they are correctly and promptly informed on all important trade and financial conditions. Secondly, computerization. This requires as a first step to equip the main office and the 15 major branches with computers and feed into them first of all the working procedure for accounting and statistical work,



and after that, import-export operations, inward and outward remittances, credits and other such activities may then be gradually entered into the computer. The second step would be to have these bank branches combined into one network together with the main office, in accordance with adequately available domestic telecommunications conditions, and have each office transmit, irregularly at any time, to the head office all their important operations, data and fund conditions.

To realize the modernization of our banking operations, we must vigorously push for uniformity of business procedures and of important documents and vouchers, concentrating such efforts this year first on major documents. The use of specimen seal impressions and accounting records in microform is now gradually becoming widespread, and we should also do what we can to catch up with this practice.

(3) Strengthen the building up of a contingent of cadres. We must earnestly and courageously promote to positions of leadership at all levels such middle-aged and young cadres who have both ability and political integrity and who are in the prime of their lives, and have them undergo a process of tempering in the course of actual work. We must lay a good foundation for the education in rotation of the vast number of cadres in a planned way, by stages and in groups, with the four main subjects of training as basis, and provide them with basic professional knowledge, knowledge of international finance and a basic knowledge of English as required in foreign exchange business.

The leadership of our bank at all levels must overcome the varying degrees of bureaucratic work style. Meetings must be simple and succinct; documents must be simple and succinct. The leadership must take the lead in carrying out investigations and research and must encourage the solution of actual problems. Democracy must be given full play, and close ties must be maintained with the masses. Concern must be shown for the livelihood of the masses, and an interest must be shown in the work of the older cadres. The leadership must set an example in model observance of law and discipline and must constitute themselves as a contingent that will pass the stiffest test.

(4) Strengthen the construction of the socialist spiritual civilization. Communist ideology must be the core when we conduct our business. We must continuously improve their service attitude, conduct business in a fair and honest manner, be courteous to customers and maintain good relations with them. These should be the key points in our efforts this year to build up a spiritual civilization. On the other hand, we must also strengthen our supervisory and auditing work and put an end to any violations of economic discipline. Under the guidance of the leadership at all levels, we shall turn our staff and workers into a contingent of great political consciousness, of ideals and dedication to work, observant of organizational discipline and with warm affection for their jobs.

## FOREIGN TRADE

### FUJIAN'S XIAMEN ECONOMIC ZONE DEVELOPMENT SPEEDED

OW211257 Beijing XINHUA in English 1110 GMT 21 Apr 83

[Text] Fuzhou, 21 Apr (XINHUA)--The Bank of China will join the Xiamen municipal government in setting up a joint development corporation to speed construction in the Xiamen special economic zone, according to the zone's administrative committee.

Xiamen is one of the four special economic zones in China. The other three are Shenzhen, Zhuhai and Shantou in Guangdong Province.

Since ground was broken in October 1981, the Huli export processing area of the zone, which covers an area of 2.5 square kilometers, has levelled 700,000 square meters of ground for factory premises and living quarters. A six-story administrative building is nearing completion and the first general factory building is under construction, with the water and electricity supply system to be completed soon.

Construction on the first foreign enterprise in the zone--the Inhwa Tile Products, Ltd., run by a Singapore investment company--has started and is scheduled for completion in the coming months. The plant plans to produce 20 million tiles a year.

Of the four berths at the 12-meter deep Dongdu harbour, two have been completed and put into service. One is a container berth using loading and unloading equipment imported from Japan, and another is a berth capable of accommodating 50,000-ton freighters. The other two berths have been basically completed.

The main runway and the apron at the Xiamen airport, a medium-sized international airport that will accommodate Tridents and Boeing 707s, have been completed. Other facilities are under construction.

The program-controlled telephone service and the 960-channel micro-wave telecommunications equipment are slated for operation next year.

According to the Xiamen Construction and Development Corporation, business people from 22 countries and regions came to Xiamen for talks on the 150 projects offered for cooperation between January 1981 and the end of last

March. Contracts for 25 projects were signed, involving a total foreign capital of U.S.\$40 million. Most of the projects took the forms of joint venture, co-production, compensation trade and processing supplied materials.

Among the projects are construction of apartment buildings, furniture factory, and reinforced glass fiber pleasure boats.

The zone's administrative committee also plans to use foreign capital to develop the Xinglin Bay, Hulishan and other scenic spots for tourists and vacationers.

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## FOREIGN TRADE

### FUJIAN FACTORIES USE FOREIGN FUNDS WITH SUCCESS

OW211323 Beijing XINHUA in English 1100 GMT 21 Apr 83

[Text] Fuzhou, 21 Apr (XINHUA correspondent)--Visitors to the Quanzhou artificial flower factory in southeast China's Fujian Province often find it difficult to distinguish the polyester flowers from the genuine without touching or smelling them when they stand before the pots.

The brightly colored roses and carnations, purplish lilacs, plum blossoms, daisies and chrysanthemums have attracted businessmen from France, Belgium, Italy, the United States, Spain and Saudi Arabia since the factory was set up in July 1980, an official of the factory said.

According to data provided by the factory, nearly 630,000 dozens of artificial flowers have been exported up to the end of 1982.

The factory, run jointly by the Quanzhou Arts and Crafts Corporation and a Hong Kong firm, is one of China's first 48 joint ventures approved by the state before December 1982.

Coastal Fujian and neighboring Guangdong are the only two provinces to have adopted special policies and flexible measures in foreign economic activities. Thirteen joint ventures have been set up in Fujian with the approval of the provincial government, according to officials of the Fujian foreign economic relations departments.

The artificial flower factory will be levied only 50 percent of its income tax for the next 2 years as a measure of preferential treatment. It was exempted from income tax for 1982.

Initial results showed that the factory made 437,500 dozens of flowers last year, 101 percent more than 1981. Its profit nearly trebled.

The Hong Kong firm has had an average 23 percent profit each year. It expects to recover its full investment within 3 or 3 and 1/2 years, and has already applied to prolong its contract from 5 years to 10.

Another joint venture in the province is the Xiamen cigarette factory, foreign economic relations departments said.



The factory cooperates with the R. J. Reynolds Tobacco Company of the United States. It started to produce "Camel" filter cigarettes in October 1980. By the end of last year, the factory had produced 963,500 cartons of quality cigarettes.

The two sides are now talking about expanding their cooperation by introducing new technology to produce other brands of cigarettes.

In the 4 years since the open policies were adopted, the departments said, Fujian has used about U.S.\$140 million from direct overseas investment and bank loans in the form of joint ventures, compensation trade, and cooperation in production and processing industries.

The province has imported 4,000 pieces of equipment, including 20 production lines, to upgrade its existing enterprises. This has also helped promote its export trade. In the past 4 years, Fujian's foreign trade volume reached U.S.\$1,400 million, equivalent to the total of the previous 28 years, the Foreign Trade Bureau revealed.

Priority is given to building the infrastructure of the province, according to the foreign economic relations departments. Included are the Fuzhou and Xiamen airports, shipping berths at Mawei port and Dongdu harbor and the program-control telephone exchange and microwave telecommunications lines at Fuzhou and Xiamen.

Provincial authorities announced that this year equipment will be imported for revamping about 100 enterprises in the printing, bicycle, canning, woolen textile, electric appliance, and paper and building materials industries. An overall plan to update all Fujian's 2,600 state-owned enterprises is being made.

A dozen new industrial enterprises will be built with foreign funds, the authorities said. On the list are an oil refinery with an annual output of 2.5 million tons, a factory producing 1.8 million meters of color film a year and several building materials factories.

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## FOREIGN TRADE

### BRIEFS

GUANGDA COMPANY'S CHAIRMAN VISITS TIANJIN--On the afternoon of 19 April, Chen Weida, first secretary of the Tianjin CPC Committee, received (Wang Guangying), chairman of the board of the (Guangda) Industrial and Commercial Company, who is visiting the municipality on an invitation, and exchanged views on strengthening cooperation between the municipality and the company, expanding the interflow of foreign economy, importing technology and accelerating the technical transformation of industrial enterprises. Among those present at the reception were Deputy Mayor Nie Bichu and (Pan Liang), responsible person of the company. [Text] [SK201028 Tianjin City Service in Mandarin 0030 GMT 20 Apr 83]

SHANDONG COMMODITY EXPORT--Shandong Province overfulfilled its first quarter export commodity procurement task. Compared with the same period of 1982, the total value of procured export commodities increased 3.7 percent. [SK190524 Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Apr 83]

SHANDONG NEW PLASTER MINE--The Shandong geological prospecting team achieved good results in prospecting the (Dige) plaster mining area in Zaozhuang, Shandong Province. The team has submitted a report to the relevant department. The report says that Zaozhuang's (Dige) plaster mining area covers about 70 square kilometers. Prospecting in the (Tianwangzhuang) mining section showed that its plaster reserves amount to 130 million tons. [SK190524 Jinan Shandong Provincial Service in Mandarin 2300 GMT 12 Apr 83]

ECONOMIC GROUP TO SWEDEN, DENMARK--Beijing, 18 Apr (XINHUA)--An economic delegation of Tianjin Municipality, led by Mayor Li Ruihuan, left here this evening for Sweden and Denmark. [Text] [OW181454 Beijing XINHUA in English 1445 GMT 18 Apr 83]

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